# Exporters urged to foster trade with Siberia

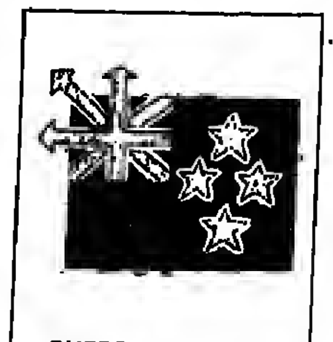
by Anthony Haas

SEND your salesmen to Siberia... That's the advice of M. Melnikov, Vice-President of the Irkutsk region, who sees good trade opportunities in his part of the Soviet Union, which is populated by 2.7 million people.

Melnikov recommends that exporters who want to supply the developing industrial region of Siberia should mount a trade exhibition in a local city.

Melnikov, who is in charge of trade in the regional executive committee, said preparatory talks on an exhibition between business specialists could identify what New Zealand should exhibit, and the exhibition would show Siberians what they could buy from New Zealand.

Business dealings with Russians must involve the Soviet Ministry of Foreign Trade. The Ministry passes specialist enquiries to the Foreign Trade Organisation.



OVERSEAS TRADE

Decisions on which foreign exhibitors may take part in regional exhibitions are taken in Moscow. Final decisions on foreign imports are made there, too.

But recommendations from local regions carry some weight. And the first breakthrough may come from exhibiting more widely through the Soviet Union, to make more widely known what New Zealand can supply.

The Foreign Trade Organisation's basic buying policies will be guided by the five-year and annual plans, which in turn are an aggregate of the requirements of the fifteen Soviet republics.

Market research inquiries designed to identify specific areas of need meet with a description of the Moscow-based process of information gathering.

Melnikov said a division of the Ministry of Foreign Trade, called Dalintorg, had been set up to cover the needs of 12 Siberian regions. Businessmen could deal with Dalintorg in Nahodka and the main trade ministry in Moscow. (Nahodka is a trading port linking the Pacific with Siberia.)

Melnikov describes Irkutsk as the third most important economic region in Siberia, and the 18th most important out of the 142 regions of the USSR.

He said Irkutsk wants trade relations with New Zealand, but he was unwilling to specify what these trade items might be until he knew more about what New Zealand could supply.

SOVIET COMMERCE... Information gaps keep new trade at modest levels.

He favoured two-way trade on an exchange, rather than a money basis.

He commends the developmenmt of "steady" contact between businessmen, such as are involved in Siberia's trade with Japan, Britain, France and Comecon Socialist countries.

According to Melnikov, the Irkutsk economy had similarities to New Zealand; it involved the development of new cities, of rail links and industries in a more rugged terrain and a colder climate.

The silver birch and other trees in Siberia's natural forests are the basis of industries to be expanded to include pulp, paper and furniture. Mining industries, based on coal, will lead to steel. Energy from hydro, gas and other resources will be developed. Agricultural industries, such as poultry, are being expanded.

Industrial and consumer goods to complement this development are generally welcome to help the relatively young population of Irkutsk.

But information on specifics was not forthcoming, and came from asides from Melnikov and other people.

There may be a need for forest industry equipment. The Swedes — who have supplied some for Ust-Ilinsk — have a steady exhange of forest industry specialists.

A second wood plant is planned for Ust-Ilinsk, one for Eniseisk, a wood export plant at Kraennjarsk, and a furniture plant at Tomsk.

Irkutsk imports furniture for new buildings from Hungary and this raises the possibility of New Zealand — or Fijian — furniture manufacturers negotiating contracts.

In the West Siberian city of Novisbursk, with 1½ million people, there are [illegible] apartments built annually.

There is a Soviet carpet industry, but individuals said there might be scope for high-quality New Zealand carpets in the USSR.

Mayor Archipova, of the dormitory town of Chelk, confirmed a need for imported fruit. She manages a city of 60,000 people, 80 per cent of them aged under thirty.

Care of children is the major problems for the city administration.

Archipova says the school lunch programme and the fruit shops could do with foreign supplies of apples, water melons, bananas and oranges.

China supplied apples in return for equipment until the Sino-Soviet dispute 15 years ago.

The Siberian branch of the Soviety Academy of Sciences interested in expanding scientific exchanges with New Zealand. Senior staff at a complex in Novisibusk said that interested New Zealanders should press for government-to-government agreements to promote study of aspects of economic and other affairs evident in Siberia.

At the local university, the president of the Soviet-New Zealand Friendship Society Irkutsk branch, Peter Stepeovich, said New Zealand and his region should exchange information on meat, dairy, fruit, fish and wood industries.

Soviet spokesmen generally indicated they could supply New Zealand with machinery, and there might be items arising from their experience in the development of Siberia that could be successfully promoted.

Meat and wool are New Zealand's main current exports. Fish will soon join the list of large items.

But the information gaps and the legacy of the Cold War, are keeping new trade at modest levels.



NATIONAL BUSINESS REVIEW

60 cents

Volume 9, No 47 (Issue 364A) December 10, 1979

# Turbulence blows state airline around skyways

by John Druper

THIS is the year Air New Zealand will be anxious to forget.

The state airline never flew out of heavy turbulence. Inflation was raging, the competition getting tougher, and the merger with the National Airways Corporation difficult for the public to accept.

And two fatal crashes within 11 months dealt the airline a heavy psychological blow, putting a permanent stain on an otherwise spotless record.

Mergers played a role in both tragedies. Air New Zealand's policy on merging the international and domestic groups was being seriously debated by a Friendship's pilot and his co-pilot on a return flight from Gisborne on February 17.

Making a visual landing through rain storms the pilot splashed down in Manukau Harbour half a kilometre short of the runway at Auckland airport. He and a company engineer on board drowned; the first officer and another engineer escaped.

Aviation experts are tracing last month's DC10 crash on Mount Erebus to the amalgamation of the Department of Civil Aviation into an all-embracing Ministry of Transport in 1971.

A pre-merger Director of Civil Aviation, it is claimed, would have had more influence over the planning and control of the Antarctic programme (see Pages 8 & 9).

The real reason behind the merger of NAC and Air New Zealand are supposedly locked in Transport Minister Colin McLachlan's safe.

After two previous reports in 1965 and in 1974 had found making two into one undesirable, Air New Zealand persuaded the Government that a merger was essential.

Without the financial support of the domestic airline, the international wing would run at a loss in the rarefied competitive air rapidly blowing from the Atlantic to the Pacific.

The storm was predicted by Air New Zealand's sensitive antennae. But there was little it could do to exploit the winds of change.

Its DC10's were already flying to and from Los Angeles, with high loadings, leaving few empty seats for incentive fares.

Air fares are now expected to rise rapidly in the next 18 months as oil prices escalate and the initial flurry of cheap

MORRIE DAVIS ... predicted trouble

fares is transformed into a pattern of offpeak incentive discounts to fill otherwise empty seats.

Air New Zealand is now going through the throes of restructuring its fleet for the late 1980s and 1990s producing the long-term benefits of the merger with NAC.

One immediate benefit is the amount of travel once booked by NAC's well-developed international travel service that now automatically goes Air New Zealand's way.

Before the merger, NAC booked only about a third of its international business through the national flag carrier, acting as agents for several competing airlines. That proportion has more than doubled.

Maintenance is being reorganised in Auckland,

COLIN McLACHLAN ... holds key

Christchurch and Blenheim, making room for more lucrative overseas servicing contracts.

NAC's Wellington headquarters have produced the one net tangible gain so far it was sold for an undisclosed sum, said to be in the $10 to $12 million range, to the National Mutual Life Association of Australia.

On the debit side, more than 200 staff from Wellington have been relocated in Auckland in comparable accommodation, with Air New Zealand paying difference in property values (for many more than $20,000) and all removal expenses.

And because Air New Zealand's Queen Street headquarters is not big enough to accommodate all the arrivals, office space is being leased in Auckland.

The merged airline claims to be making savings in staff numbers, but how, is not yet apparent. In May, 8740 were employed by the airline — 14 above the pre-merger combined total.

Sales and marketing staff have been reduced by about 60, but 74 engineers, pilots and many apprentices have been taken on.

As early as February 12, chief executive Morrie Davis was predicting that the airline was going to have trouble recovering an expected $20 million increase in costs during the coming financial year.

By November, the airline's fuel bill had gone up by $46 million higher than estimated over the previous year.

Revenue, too, has risen as fares to Britain, the United States, Australia and Japan were repackaged to contain low off-season incentive fares, while overall fare levels went up by more than 10 per cent.

The incentives are working. More people are travelling, though the growth in traffic is now faster than revenue.

But whatever figure will come upon the bottom line next March, $8.8 million must be deducted for the losses incurred while the American Federal Aviation Authority grounded the DC10 during May and June after the Chicago crash.

On domestic routes, costs are passed on quickly to the traveller with the Air Services Licencing Authority's blessing, a process which is becoming no more than a rubber stamp.

Despite giving assurances to the contrary at the time of the merger, the airline failed to produce separate accounts for the domestic network, before the authority. Instead, it produced a statement only of measured costs since the previous claim certified by the Ministry of Transport.

A double increase in domestic air fars this year has done little to improve the airline's image with its owners, the reluctance to introduce cheap fares internationally.

International comparisons showed Air New Zealand as no more than average among its peers in efficiency. To counter the mounting criticism from the public and the travel trade, top executives briefed the press at an all-day seminar in Auckland early in the year.

The airline's net foreign exchange earnings ($123 million in the last financial year), rather than its profits, were stressed.

But early in the New Year, Davis [illegible] unveiled a $500 million buy[illegible] programme to put the airline [illegible] course for the 1990s.

But its image-polishing was marred when a Fiji hotelier and his party's first-class bookings were cancelled at the last minute to allow Air New Zealand staff to occupy the seats.

Its latest image-boosting effort, the supposedly virgin Alan Whicker campaign claiming "We do it better", ended ignominiously and tragically on the slopes of Mount Erebus.

It was a disastrous year in more ways than the DC10 crash would suggest, as Morrie Davis conceded on television hours after the wreckage had been found in Antarctica.

## Inside

# All aboard, planning juggernaut now departing

by Colin James

A GAP is opening up in the world methanol market and if we are in quick we stand a chance of getting a slice of it.

So, at least, certain people believe. For it is the chance of getting in on a deal that is driving the fast track National Development Bill down its fast track into law.

The argument put to me is that unless we can show willing within the next few months some other more determined and available supplier will rake in the shekels.

So — let's get our methanol plant down the planning track as fast as possible.

And for that, so the argument runs, we need the National Development Bill through Parliament before the end of this year.

If we hold it over for the summer study, it may be June or July before we can get it through. The Prime Minister does not like calling Parliament together before May.

So the fast track Bill hurtles on down the track.

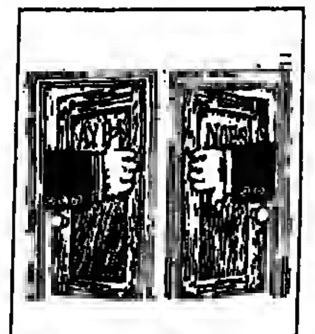
It reached the House in October before the draftsmen had finished stitching together legal raiment to cover the nakedness of a bright idea.

And the select committee though it had many hours of public hearing of submissions, deliberated for only two days on the changes that should be made.

Since between those two days the Government caucus meeting of MPs was still arguing about prospective changes, it can hardly be said that the wholesale amendments were made in the sort of cool, collected atmosphere essential for rational law-making.

Even after it was reported back, draftsmen were still working on bits and pieces for amendment at the House committee clause-by-clause stage.

One was what bits of the Public Works Act should be included in the narrowed-



POLITICS

down list of consents the Cabinet can give under the fast track procedure (one of the more useful changes made by the select committee).

Under the original Bill, according to some interpretations (though emphatically not Barry Brill's, as his letter to *NBR*, November 5, showed), the Government would have had the power to take private land for public works.

I understand the Government intended to limit the application of the Bill to appeals against the taking of land which would be done normally.

At the time this article was committed to the printer, I had not had time to study the revisions in detail.

Opponents had picked out a raft of what they considered were at best drafting mistakes and at worst sinister ploys designed to escape the parliamentary scrutiners.

Mistakes could, and almost certainly would, be unearthed by an upper chamber. Since we don't have one, it would normally make sense to leave the Bill before the select committee for more careful study during the summer-autumn recess.

Even some of the Government's friends, for example, Federated Farmers, argued for this.

The principle is that fast law is often bad law. If there are flaws in it, a developer starting off down the fast track may yet find it a slow track.

By the same token, pushing the methanol project ahead runs the risk of souring the whole national development procedure if there are mistakes, omissions or oversights in a rushed application.

The Government needs a model first application to dampen fears.

Improvements have been made.

- Appeals to the courts have been reintroduced (to the Appeal Court only) with strict time limits that professional groups may be able to handle, but ordinary citizens may not. Mandatory publication of the final Order-in-Council, which may overrule published Planning Tribunal recommendations, is limited outside Parliamentary sessions to the official Gazette — not everybody's bedside reading.
- When consents are varied, cancelled or added to after the original consent giving Order-in-Council is made, the tribunal is to be involved, where under the original Bill it could be brought in only if the developer objected.
- Local authorities and regional water boards — the heart of existing planning law — have been given a place, which they requested, enabling them to hold statute-backed investigations.

They are to make recommendations to the tribunal and may give evidence.

The recommendations as such are not to be evidence. Environmentalists fear secret pre-hearing Government-developer pressure to bring demurring authorities into line.

- The Bill's original requirement that local authorities issue the final land and water use consents has been removed. Consents will now be contained in the Order-in-Council.

This seems designed to obviate lawsuits against authorities for damages for actions over which they have no control. It also incidentally removes one of the local safeguards — local authority notification of district scheme changes.

- Parliamentary review possibilities are fractionally enhanced. The final Order-in-Council, with the Government's reasons for overriding tribunal recommendations, must be tabled in the House, and thus be available for debate, within 14 (now 28) days of its making or the session opening.

Standing orders also allow Opposition MPs to sent it to the statutes revision committee for study and (debatable) report, whether Parliament is sitting or not.

No good reason has been offered for not replacing the final Order-in-Council with an empowering Bill or a parliamentary resolution. It really comes down to the refusal to have Parliament sitting in the first half of the year.

The Government argues that national development projects are matters of policy — for it to decide. Nevertheless, Parliament has traditionally scrutinised in advance major decisions (other than those made under the obnoxious Economic Stabilisation Act) and it is an appropriate place for debate on the economic and social aspects of developments and their place in overall development.

As the Bill stands, the Government could use its procedures as bait for overseas investors, guaranteeing certain parts of a deal in advance regardless of what might be said before or by the Planning Tribunal — now barred from examining the Bill's "national interest" criteria (though arguably, able to invoke "national importance" aspects detailed in section [illegible] the Town and Country Planning Act).

Government MPs [illegible] that this is not the intent behind the Bill.

They point to the [illegible] public rights of appearance before the tribunal and cross-examination of witnesses.

The Minister of National Development must present himself for cross-examination. The developer does [illegible] (presumably to avoid commercial embarrassment) though his statement of the social and economic effects of his project must be put before the tribunal.

The tribunal hearing publicity, the Bill's promoters argue (though environmentalists disagree), would [illegible] the Government could [illegible] sneak in unpopular [illegible] demonstrably undesirable projects.

Nevertheless, the Bill's [illegible] amount to a substantial increase in potential executive power, beside which the backbenchers' valiant [illegible] against potato and [illegible] fish regulations were [illegible] pricks.

The Government is [illegible] remain the final arbiter, [illegible] now it is the Planning Tribunal (subject in each case to appeals on points of law).

The crux of the matter is a clash between two concepts of planning.

At one level is the wise use of land, water and air. [illegible] are social matters of great local importance and an elaborate democratic system, full of checks and balances, has been set up to deal with them.

At another level is the country's wellbeing. That is the Government's [illegible] What it is asking for in the National Development Bill is the right for its economic planning to override [illegible] water-air planning.

In effect, it is inviting the public to trust it to get the broad picture right without disturbing the local picture too much — trust which the suddenness and speed of its Bill have jeopardised.

Government MPs argue, and they are probably right, that the fine points of planning law do not register on the taxi-driver voter litmus test, so they can ride out the current storm of (effete?) liberal dissent.

Then they can get on to the real argument — whose development idea is right: the energy-intensive (foreign) capital-intensive path of methanol, ferro-silicon, manganese, aluminium and so on, or smaller-scale (New Zealand-)labour-intensive regional development. On one side is the majority of National MPs.

Much of the other side has been carried by the increasingly professionalised environment lobby and we can expect it to be active in questioning, opposing, appealing and obstructing any fast-track developer.

There were signs last week that the Labour Party may also be opting for that side in the debate, though in the conservationists' corner.

We may thus yet see the two parties presenting different development options to the voter in 1981.

Thus, whatever your (and my) misgivings about this winner-takes-all Bill, there are the makings of a humdinger of a political debate, if our politicians have the wit and coherence to sustain it.



# Free-house pub runs into entrenched resistance

by Warren Berrymen

TRYING to establish a privately-owned free house pub in downtown Auckland can be expensive and time consuming.

Finance for building and fittings is one consideration.

But a major cost is the litigation necessary to win the right to compete against established operators.

Rod Nicholls, of Neighbourhood Taverns Ltd and owner of the Auckland cabaret, The Foundry, wanted to open a "sophisticated" tavern in Wyndham Street.

As a sideline he would get into the cut-price liquor business.

He bought a hotel licence from the now defunct Kawau pub at Mansion House for $12,000 cash.

He wanted to transfer the licence to Auckland.

But after two hearings — and $94,000 out of pocket for legal fees, debts servicing on an empty premises, and incidentals — the Licensing Control Commission turned him down.

Nicholls said he will appeal. The building that was to house the new tavern is owned by Auckland developer Les Harvey, of Parnell Village fame, and Hugh Berry of Toina Motors.

Nicholls said some $300,000 had already been spent on the building to bring it up to standard. Another $290,000 would be needed to outfit the tavern.

The main opposition to Nicholls application came from L D Nathans through that company's subsidiary, Consolidated Hotels Ltd.

Opposition also came from Wilson and Horton, publishers of the *New Zealand Herald*. Its objection was based on its belief that having a tavern across the street from its newspaper office would be detrimental to the "running of a national newspaper."

Nicholls said sadly: "I regret underestimating Nathans and the lengths they would go to prevent us."

"There is no way we will give up. There are very few private individuals with capital to stick into a venture like this. We have a chance to break into the city and give real value for money," he said.

The bulk of the licensing commission's findings deal with the shortage of hotel accommodation in Auckland.

Other points given weight by the decision were that established taverns satisfied the demand and that existing licencees were moving to upgrade their premises.

Ironically, Nathans was the last to receive the go-ahead to set up a tavern in Auckland. It was given permission to transfer a licence from Thames and set up Trader Nathans in Fort Street.

"Trader Nathans is nearly three times the size of the tavern we propose," Nicholls said.

"At the time that licence was granted the hotel situation in Auckland was a lot worse than it is now."

The licensing law means in effect that a licence to sell liquor can be seen as a lever to precipitate investment in hotel accommodation, almost as if the business of providing accommodation is not an attractive end in itself.

The commission found that hotel accommodation was required in Auckland and the need could be aggravated if and when the Great Northern Hotel ceases to operate.

The commission said it had heard of several proposals to build hotels in the city, but it was unclear if these would proceed.

Evidence opposing Nicholl's application was given by a representative of the Tourist Hotel Corporation and established hoteliers.

In support of the application, Jim Hartstonge, a hotel and tourism consultant, pointed to the following additions to hotel accommodation in Auckland;

Barry Court, 47 rooms, opened late 1979.

Regal Polynesian Inn, 40 rooms, opened June 1979;

Travelair Motel Hotel, 20 rooms, opened August 1979;

Rose Park additions, 56 rooms, to open late 1979;

Townhouse, 120 rooms, to open late 1979;

Logan Park additions, 90 rooms, to open late 1980;

Jervoise Road Motel, 12 rooms, almost completed.

Total: 385 rooms.

Hartstonge deducted 85 rooms due to the closure of the Great Northern, giving a net gain of 30 rooms.

Under cross-examination, Hartstonge conceded a shortage in hotel accommodation but suggested this would be overcome progressively.

The commission made the point that most of the rooms Hartstonge mentioned were outside central Auckland.

Seven tavern licences will be authorised in the eastern suburbs of Auckland, where changing drinking patterns and a lack of outlets in the area warranted new pubs, the commission said.



# State shops for Kiwi software

by Stephen Bell

A WIDE ranging review of principles for selection of Government computers has emerged from a four-man committee set up by Cabinet earlier this year.

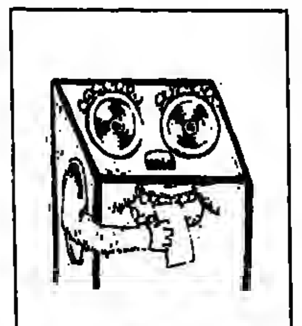
Cabinet has approved the recommendations of the committee's report.

But, with another committee looking into the same question on behalf of the Audit Office, there could be more drastic changes to come.

"Value for money" in computers has long been a sore point in Government circles, with cost overruns and accusations of inadequate performance of the machines ordered.

The most celebrated case was that of the Health Department network.

The Auditor General's reports for the past two years have attacked the failure of Government computing systems to produce expected benefits, and there has been some vitriolic Parliamentary debate in considering estimates for the State Services



COMPUTERS

Commission, which, in recent years, has been responsible for the selection of Government computers.

Work has already started on implementing one of the committee's recommendations; that a standard method be adopted in the future for designing a computer system and managing its introduction.

Several such standard methods, with supporting computer programmes, are already commercially marketed. They divide the complex task of design and development into formal stages, each with standard documents as input and output.

A team of three has been set up to consider available "packages" of this type and to select one for future use on Government projects.

On the costing front, the committee's two Government members have suggested a two-stage approach which could be adopted.

The scheme provides for an initial assessment of costs and expected benefits of each computing project when it is first proposed, to be followed by a reassessment when the project has assumed a more definite shape.

Final approval to implement the system will not be granted until the second stage.

Better judgement of the likely cost of a project could, the committee suggests, be made by defining standard cost elements. It is suggested that the State Services Commission and the Treasury report on the choice of such elements.

This would provide not only a firm basis for the costing of a system during its development, but also a basis for future charges to the Government department using the system.

The committee appears to have made no direct attack on complaints of a poor level of service from computer systems, but it is at least seeking to put such complaints on a more rational basis, by ensuring that the standard of service to be expected is rigidly defined in advance.

An appendix to the report provides some good news for New Zealand software houses. To ensure adequate opportunity for such companies to bid for Government contracts, it is recommended that they be regularly briefed on Government's forward plans in computing.

Tenders from New Zealand companies, the report says cautiously, should be favoured above those from overseas suppliers "if they can do the job at competitive cost, and if they are appropriately qualified."

The names of any overseas companies engaged will be supplied to the New Zealand software firms, giving them a chance to negotiate subcontracts with the main contractor.

# EDITORIAL

AS had been expected, the Government moved last week to cut personal taxation yet again in an effort to stimulate an economy that is headed for a recession next year. The Income Tax Amendment (No. 2) Bill set out new rates for the income year beginning April 1, which will feed about $150 million back into the economy, and cut about 3.3 per cent off the total personal income tax intake.

The inflation rate causes the fiscal drag that makes tax cuts prudent, and Prime Minister Muldoon acknowledged that the rate of inflation was high. But it was about as high during the first Labour Government four years ago, he said, apparently forgetting for the moment that he is the Minister of Finance among other things because he persuaded voters that he could manage the economy in a way that Labour could not.

Muldoon seemed satisfied that inflation was bound to increase as we moved from direct to indirect tax, because indirect taxes affect the consumer price index, but changes in direct income tax rates do not. "So you get a one-sided effect — the CPI goes up because of the indirect tax and the CPI is not affected by the reduction in direct tax even though the same amount of revenue may be gained by the two moves."

Perhaps this observation was designed to impress on us that we are shifting from a direct to an indirect tax base. But the Government continues to tinker with the tax structure. This year's Budget provided for nearly $1000 million more in income tax than last year, an increase of 25 per cent. This was by far the biggest component of the direct taxation of $4619 million which the Government planned to take. Indirect taxation was increased by just under 20 per cent to $1331 million. Sales tax — up 40 per cent on last year — accounted for the bulk of this income, but as a proportion of total tax it was less than last year.

Tax reformers who want taxation to be spread over the widest possible base to minimise the rate necessary to yield the desired level of revenue remain disappointed. And the nub of the Ross Committee report on taxation in 1966 — a fundamental shift in the incidence of taxation from taxes on incomes to taxes on consumer spending — remains to be implemented.

Of course, Treasury officials would have had a clear idea in October how fiscal drag was affecting tax revenue and its distribution. So the Government could have introduced its legislation any time since then.

Introducing it in the middle of the passage of the National Development Bill might be considered a tactic to draw attention from some substantial rewriting and disagreements within the National Party on the Government's "fast track" planning ideas. More likely, Muldoon wanted to keep open his fiscal options till as late as possible.

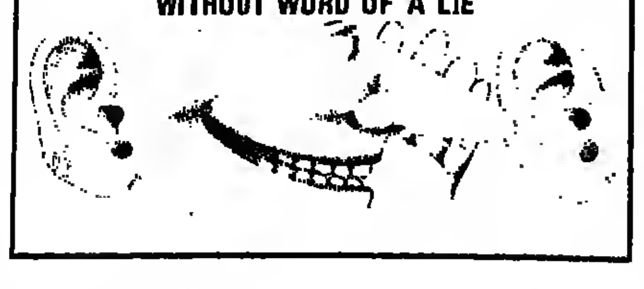
Indeed, the National Development Bill debate became a damp squid. According to the *New Zealand Herald*, it "... was accorded less time and less vitriol than a Waitemata City Council rating bill attracted a few weeks ago, when it was reported back from a select committee."

The public had been led to expect an Opposition fighting tooth and nail to the last division and a Government determined to ram the legislation through Parliament no matter what the flaws. MPS would have Christmas dinner in Bellamys if need be, Muldoon had warned. But after the bill's overhaul by the select committee, it seems there was not enough left for MPs to chew on till then.

— Bob Edlin



## WITHOUT WORD OF A LIE



ALAN Whicker's "We do it better" campaign almost certainly died on the snow-covered slopes of Mount Erebus.

But before that tragedy, Air New Zealand's public relations director Craig Saxton fired what has become the final shot, except for the unkind and malicious.

Continental Airlines was not the only carrier to receive a note of thanks from Princess Alexandra when she came Down Under on an official visit to Fiji, Saxton said.

"It was lovely for Princess Alexandra to have this opportunity to travel Air New Zealand once more ..." her lady in waiting wrote.

"The Princess greatly appreciates the way in which she and the members of her party were looked after and she would be pleased if you could pass on her thanks to the two captains and their crews."

Saxton took the trouble to check Continental's claims (*NBR November 5*) that the Princess and the British Consulate in Los Angeles expressed extra special thanks to that airline and preferred its service to Air New Zealand's.

Brian Gordon, Deputy Consul General, had been surprised at learning of the claimed quotation, Saxton said.

"He states that such comments were never made jointly or in conjunction with the British Consulate at Los Angeles or any of its staff. He then went on to say it was doubtful that Princess Alexandra would make such comments publicly or privately and that he could not imagine her making a comparison between the inflight services of the two airlines," Saxton said.

ADNAN Khashoggi, Middle East millionaire and arms merchant, might fill the gap left by the Tourist Hotel Corporation in Auckland's hotel industry.

The hotel in question is a $13.5 million 250-room hotel to be built on a 9.4-acre site near Auckland airport.

Formerly known as the Airport Oaks, the hotel was to have been built by the Davison Group with $9.5 million debt finance from the Development Finance Corporation and equity from the British-owned Commonwealth Development Finance Co.

Davisons managed to get the necessary approvals to build, but ran foul of the new free-enterprise spirit emerging in the National Government when it proposed to have the hotel managed by the THC.

Cabinet turned down the THC idea.

Then Davisons went into liquidation.

Now it seems that the Mainzeal Corporation is looking at taking over where Davisons left off.

All that is needed is some $5 million or so in equity finance to get the two year project under way.

Also needed is a management company to run the hotel when finished.

On these two points Khashoggi enters the picture. He already has a roundabout interest in the Travelodge hotels in New Zealand (through his Luxembourg-based Triad Holdings' interest in Southern Pacific Properties of Hong Kong).

Southern Pacific owns 25 per cent of Travelodge NZ through an Australian subsidiary, Top of the Cross Pty Ltd. The remaining 75 per cent is owned in equal parts by Mt Cook Group, Fletchers Trust and Investment, and Lion Breweries.

Southern Pacific has been talking with Mainzeal about putting up equity finance.

And if the deal comes to fruition, Southern Pacific will manage the new hotel as it manages the other Travelodges in this country.

●

WHAT do you do when economic gloom stares you in the face? If you are a Lions club member, you launch a pep-up campaign.

The Lions are spending $200,000 on a "pride in New Zealand" campaign to start next New Zealand Day.

The theme, "If anybody can a Kiwi can," will be disseminated by radio, TV, posters and bumper stickers. Macharmons Advertising will handle the campaign.

The theme music and lyrics — written by John Hanlon — has been described as an emotive piece following closely on the lines of Fanta's "have faith in New Zealand" campaign.

The idea eminated from Lions club man Jack Penny of Whangarei.

The campaign got the go-ahead at last week's Lions district convention in Whangarei.

The district's 43 clubs were joined by 54 from Auckland and support is being sought from the remaining 300 clubs throughout the country.

Members are being asked for $4 each.

●

IT'S that time of year again when New Zealand is about to close up shop.

Indeed calls to company offices indicate that festivities have already ssshtarted.

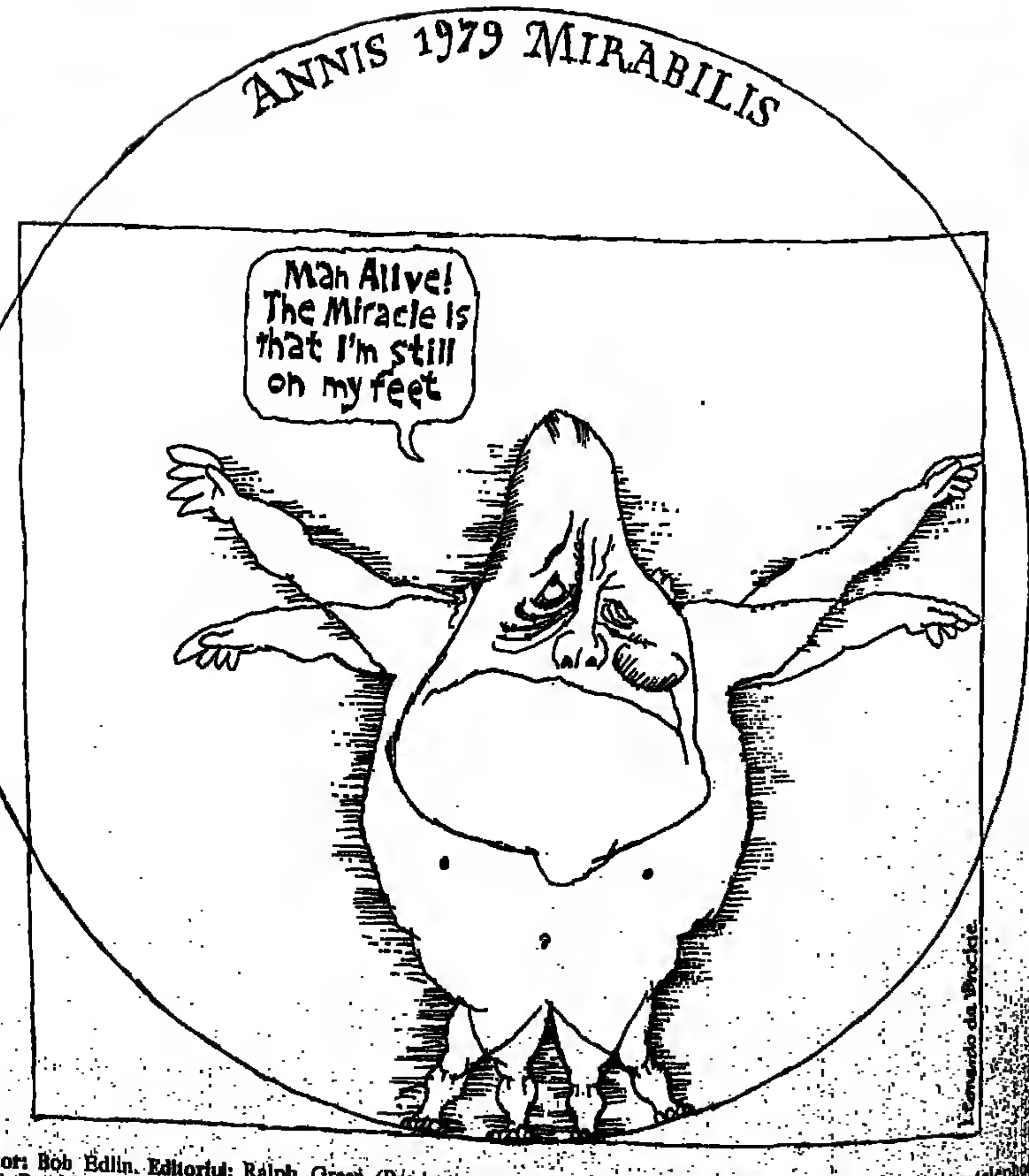
But this ssshlurred explainashion stands out: "We've been wayzgoosed" said a PR executive.

Wayzgoosed? "Look in your dictionary," *NBR* was told.

Yep, there it was — wayzgoosed. Not a painful posterior experience, but an annual festivity held by a printing house to which our Public Relations friend had been invited.

●

## BROCKIE'S VIEW





Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, and John Draper.
Advertising Manager: Paul A C S Loh, (PO Box 9344, telephones 736-876, 859-019, Wellington.)
Auckland office: Editorial — Warren Barryman, telephone 799-304; advertising and distribution — telephone 685-85...
Published by Fourth Estate Newspapers Ltd, 15 Blair Street, Wellington. Printed by R Lucas & Son, Paraparaumu. Photoset by Computype.




# Go-ahead manufacturers seek export limelight

Economics Correspondent

THE New Zealand Manufacturers' Federation thinks it has the formula for spurring economic growth from the near zero rate experienced between 1976/77 and 1978/79 to close to 4 per cent by 1983/84.

In a widely publicised statement, the federation forecast an optimistic economic future for New Zealand. If its formula is followed, unemployment will be halved, there will be a significant increase in our living standards, and a 60 per cent increase in the proportion of manufactured goods exported in the next five years.

Keeping up with the latest fashion in lobbying, the manufacturers called on several members of the Wellington economics establishment to help it carry out research to supports its statement.

The federation's forecasts are based on preliminary work carried out under the Manufacturers' Export Research programme (MERP) jointly financed by the federation, the Planning Council and the Manufacturing Development Council.

Research was conducted by the federation and economists from Business and Economic Research Limited (BERL) using the Victoria Model of the economy developed by Professor Brian Philpott.

Philpott has been building models for forecasting developments within the economy since the early 60s. These models combine the techniques of input/output models with Philpott's own voluminous knowledge about the New Zealand economy.

A special form of Philpott's model adopted by the manufacturers appropriately has been called MERP.

Input-output models describe the structure of an economy in terms of the interrelationship between resources used for production (inputs) and the resulting goods and services produced (outputs).

Like any economic models, input-output models are based on simplifications. One main simplification is to divide the economy into basic units called sectors.

MERP has 30 sectors. Manufacturing sectors account for 20 of these.

It is assumed that sectors will use their inputs in fixed proportions. These fixed relationships are usually estimated from past trends in economic behaviour. Actual input data for MERP were provided by the Department of Statistics based on sector input-output relationships in 1976/77.

Because input-output tables are derived from actual observed data for production and consumption in the various sectors of the economy, they are a convenient way of laying out data concerning inputs, outputs, and transactions in the economy. They provide a picture of the interrelations that exist in the economy at a moment of time.

The models provide a basis for predicting what is required to produce an extra unit of output of any product.

Of course, future economic behaviour may differ from past behaviour. The input-output relationships measured during the 1970s may not reflect the structure of the economy in the 1980s.

To deal with this problem, the manufacturers conducted a survey to provide information about feasible changes to manufacturing over the next five years. The field work involved interviews with around 200 companies.


The survey provided a statement of the expectations of manufacturers based on current corporate plans for growth in output and exports between 1978/79 and 1983/84. It also provided an analysis of the investment and employment plans of manufacturers.

Because the research programme is being undertaken at a time when energy policy is being altered substantially, a "most likely" energy investment scenario was established by BERL. This scenario was adopted for the MERP model.

The energy scenario involves the expansion of the petrol refinery, reticulation and installation of a hydrolytic cracker, the full implementation of an ammonia-urea plant by 1983/84, expansion of the Maui natural gas pipelines to Auckland and Hawke's Bay and some conversion to natural gas, conversion of parts of the vehicle fleet to cng and lpg, establishment of a methonal plant, development of Maui B and on-going hydro-electric construction.

The total cost of the energy investment programme over the next five years is estimated at $2,500 million. This assumes the only plant in full operation by 1983/84 will be the ammonia-urea plant with part-year outputs from the expansion of the petrol refinery and the methanol plant.

According to MERP, if New Zealand policymakers were to introduce measures to bring about the BERL energy scenario, while keeping manufactured exports constant, the future would be very gloomy indeed. Growth would average only about 1.8 per cent a year.

Growth in private consumption of just over 1 per cent a year could be expected to lead to considerable unease and disquiet within the community at large. There would be continuing levels of high unemployment with the number of unemployed in 1983/84 expected to exceed 122,000 persons.

The only good news would be the strong recovery of investment activity. Fixed investment would increase from 20 per cent of gross domestic product (GDP) in 1978/79 to 25 per cent by 1983/84.

The manufacturers consider such a scenario would be "untenable."

"Static levels of real per capital consumption would cause considerable social and industrial unrest," they say. "The current large net migration outflow would possibly grow to even higher levels."

But the manufacturers do not really expect this scenario to eventuate. In developing it, they had another purpose in mind — the demonstration that greater growth is possible if manufactured exports are encouraged during the same time that these energy developments take place.

A second version of the MERP model is adjusted so that manufactured exports are not held constant, but are allowed to rise as high as surveyed companies indicated they expect to lift export sales to 1983/84. Now the economy is shown to have potential for much faster growth than possible with energy development only.

Growth would average 3.9 per cent a year instead of 1.8 per cent.

A significant increase in consumption growth would also be achieved. Exports would rise at a rate of over 7 per cent a year instead of 5.5 per cent. Employment opportunities would increase and the number of people recorded as unemployed could drop to around 25,000 in 1983/84.

And the manufacturers conclude that "continued growth in manufactured exports has a vital role within the New Zealand economy over the next five years. Large investments made in energy will not produce significant payoffs and will place a special strain on the economy through their high import content."

Manufactured exports will also make a significant contribution to the foreign exchange required for investment in our energy future.

Clearly the manufacturers have gone to a great deal of trouble to carry out research to prove the importance of manufactured exports to the country's future. They must be commended for the design of their research framework.

But even with the most sophisticated economic models, forecasting the future is a chancey business.

Philpott's past experience with indicative planning models for the National Development conference shows this. Growth targets set by the models usually turned out to be wrong.

And the manufacturers have designed their research with a specific purpose in mind — to assess the importance of manufactured exports.

A cynic might wonder if the manufacturers did not intend to use the research results to lobby the Government for more export incentives.

If so, a wise Government might wish to see the results of a few other versions of the MERP model. Just changing the assumptions underlying the model makes a lot of difference to the results.

Long-run growth prospects might not be as good with export incentives as without them. Employment opportunities will not necessarily improve with increased exports if massive technology changes occur over the next five years.

Even more important, it is one thing for exporters to say they expect to increase their output and another thing for them to do it.

Before taking decisions that benefit the manufacturers, the Government must look at other alternatives for achieving 4 per cent growth by 1984 and evaluate their costs.

A SPECIAL NBR READER SERVICE
Company Report

# Midland Coachlines Limited

Midland Fifty Years Group

## Managing Director's Report

Mr A.I.R. Jamieson

It is pleasing to report that we have had a satisfactory year. Overseas business improved upon the 1977/78 year but the impact on service suppliers was below our expectations. The sluggish New Zealand economy has meant we have had to work harder and more purposefully to improve on last year's trading profit.

However, the highly competitive nature of our business makes it incumbent on management to maximise profits through increased efficiency and improved utilisation of the plant at its disposal, and to make every effort to contain our ever-spiralling costs. To this end staff training at all levels is receiving the close attention of management.

The importance that the Government has at last placed on the tourist industry is most encouraging and the Budget incentives for industry, effective April 1980, should provide a stimulus to producers geared to increasing valuable overseas exchange and inject needed confidence to investors in this growing and exciting industry. However, if as is forecast, a target of 1 million visitors a year is to be achieved by the late 1980's, then careful and well-planned tourist development will be needed to meet the demands this will place on the country's resources.

Other interesting developments in the quest to encourage tourists to New Zealand, which must reflect in increased business, are evidenced by a vigorous drive by PATA to promote the South Pacific and by New Zealand producers and suppliers in mounting joint promotions to the Far East, North America and Australia.

The delays that existed in determining airfare structures on all routes this year did not help inbound tour operators and it is important to remember that New Zealand is but one destination in the Pacific package. Any factor that creates uncertainty in the marketplace must to a large extent negate the costly promotional efforts undertaken by industry members, and transfer business to alternative destinations.

The fuel problem confronting New Zealand is but one issue causing concern to the providers of ground transportation, and Midland is actively pursuing a programme designed to take early advantage of any significant shift from conventional fuels. An adequate diesel supply is critical to the continued coach tours of group travellers for which we expect a greatly increased demand. An economical alternative source of power for diesel-powered vehicles seems a long way off.

With our car rental fleet we will be waiting with interest to ascertain the recommendations on long term fuel alternatives and the Government forecasts for achieving an adequate and effective distribution system. We believe the rental car has a vital role to play in assisting the traveller and the businessman to rationalize his needs insofar as vehicle travel is concerned, and the flydrive concept has a growth potential which can be designed to achieving a more economic and effective use of available fuel.

### RENTAL CAR DIVISION

The Midland 'Love Hertz' programme, described by one financial writer as the marketing coup of the year, proved to be a most successful campaign. It certainly re-emphasized and proved correct, the decision taken to phase out the Tasman name and use the Hertz banner exclusively. The campaign laid the base for an enthusiastic staff to build upon and achieve an improved market share strongly supported by a growing inbound flydrive business from Australia, United States, Europe and the Far East.

However, the serious taxation anomaly relating to the $8,000 cost limit on rental cars for depreciation purposes, continues to place an unfair burden on our company. Despite the tourist promotion incentives received, the tax rate for the rental car division was 53% of earnings — well in excess of the normal taxation rate of 45 cents in each $1 of income. The Tourist Advisory Council's recommendations on this matter were ignored by the Government this year but it is to be hoped that it is only a matter of time before this anomaly is removed.

As highly capital intensive suppliers to the industry it is inexplicable that we are asked to endure this tax disincentive when the present Government policy is geared towards promoting travel to New Zealand with encouraging tax incentives for inbound tourist traffic.

During the year a new facility at Picton was opened. Picton is a most important link in the tourist's itinerary and the improved ferry wharf offices supported by a modern maintenance and service centre, have enabled us to meet the needs of a growing number of users more efficiently. New service facilities were also opened at Dunedin airport.

Airport servicing is one of our most important responsibilities, operating as we do from all domestic and international airports. The new booths at Auckland, Wellington and Christchurch International Airports in the Hertz eye-catching colours complemented by well turned out hostesses have attracted much favourable comment.

The Commercial Division is enjoying a steady growth pattern, and good utilisation of mini cruisers by sporting and other similar groups is resulting from specific promotion and sponsorships.

### PANEL AND COACHWORKS

Competition in both the panelbeating and coachbuilding areas remains intense because of the depressed market.

On the panelbeating side, actions such as the Ministry of Transport Drink and Drive Campaign and the introduction of carless days, although beneficial to the country as a whole, have not been good for business.

The coachbuilding area suffers from an over-capacity of production. Deferred or reduced capital purchases by charter and tour operators in the last year have reduced the total market. While the long term future for coach production is good, because of increased acceptance of coaches as a method of travel, in the immediate future, tight control on Government and Local Body expenditure is anticipated to adversely affect the total bus market.

Efforts to find diversification of products and improve the acceptability of existing products have been successful, and in this respect the Coachworks are more competitive than before. A New Zealand franchise has been obtained for the "Endrust" vehicle rustproofing process. "Endrust" is established in many countries in the field of vehicle rustproofing and it is considered that economic circumstances and conservation of resources will dictate that vehicles generally have an increased life. Further efforts, including increased marketing efforts, continue.

### COACHLINE DIVISION

The last tourist season has seen a predictable levelling off in demand as the number of tourist groups in particular from Australia and America responded to the pressures of domestic inflation in their home countries and uncertainty over International airfares to New Zealand. Midland is fortunate in having a clientele generating business from many corners of the globe, thus keeping to a minimum the effect of adverse variations in any one market. In addition, Midland supplements utilisation by active promotion in the domestic market during trough periods, and the final result for the year saw an improved utilisation factor which assisted in offsetting substantial cost increases. The Midland Touring Club continues to contribute towards the fleet utilisation and a number of successful overseas tours were operated with a more extensive programme planned for the next year. In Canterbury we have over 1,100 members which Auckland should match this coming year.

The long-distance Starliner services from Christchurch to Dunedin and Auckland to Tauranga / Mt Maunganui are showing encouraging growth patterns. This is principally due to the growing public awareness of the fuel supply situation. We have new vehicles in the process of construction for these services to cater for the increased passenger and freight demand. As from 1st October 1979 we are moving into our own coach terminal at Tauranga to give better service to our growing number of clients. The future of urban passenger transport in New Zealand is contained in the Urban Transport Bill still not released and presently under much discussion. It is important to remember that private enterprise makes a significant contribution to this facet of transportation. If we are to have a future in this field any changes in national urban transport policy must recognise these benefits, and ensure adequate representation of the private sector interests in the policy decision-making processes.

Rising costs are a continuing problem for all businesses, but the open-ended nature of the Road User Charges with increases of 20% on 1st April 1979 and anticipated increases exceeding 35% from 1st April 1980, place an unreasonable burden on the bus and coach industry. Midland alone will pay $225,000 this coming year. We believe the Government has failed to recognise the unique nature and operating conditions of our industry and we will continue our protests. The user pay principle is valid only when the 'pass-on' effect can be absorbed without inhibiting patronage.

As stated earlier, Midland has a continuing and important role to play in passenger transportation, both domestically and for tourism. Given some reasonable solution to the fuel problem we are well placed to meet the anticipated increased demand in the future.

### ASSOCIATED COMPANIES

Good results from both Atlantic & Pacific Travel International Limited and Cross Country Rentals Limited have seen a significant contribution to Midland this year. The success of the London Shoppe, Citaway and Explorair programmes backed by a very professional marketing capability have contributed in large measure to Atlantic & Pacific's success. All divisions, inbound, retail and wholesale, have enjoyed a profitable year. Cross Country Rentals Limited, New Zealand's largest supplier of four wheel drive vehicles operating out of Hamilton, continues to expand and diversify, and a very successful year was recorded.

### OUTLOOK

This coming year sees Midland achieve fifty years of fine service to the travelling public. Despite current uncertainties about fuel supplies and alternatives, we are confident that our traditional role of providing energy and cost efficient modes of transport for the travelling public, including the moving of freight, is still valid, even more so today.

The ensuing and succeeding years are going to require above average management skills to market and service our products in a very competitive situation. We have that calibre of staff and by maintaining a continuous staff training programme at all levels we are confident the company's objectives can be achieved.

After all, the first 50 years has seen the Group successfully become the number one specialist in ground transportation and the largest operator combining coaches, rental vehicles and motor caravans in New Zealand and a major force in the servicing of tourist transport needs. This record of successful growth we intend to see maintained.

Midland's 500 staff, to whom I am grateful for loyal and helpful service in this year just completed, will continue to adopt a professional attitude to see its share of future growth achieved and expanded. We must, however, be prepared to accept change and react quickly to it. All forecasts are for tourist growth and New Zealand needs the overseas exchange this industry can and must generate. Midland is well placed to accept the challenge, and with its wide range of equipment and flexible policies it is in a strong position to succeed and be profitable.

A.I.R. JAMIESON, *Managing Director*

*27th September 1979*

Midland Coachlines Limited — Castle — Hertz — The Gray Line



# Incoming BNZ chief applauds competition

by Rae Mazengarb

BILL Shaw, who becomes Bank of New Zealand's top man in January, says he has had a "very normal" career.

"I've never been a crown prince," he says. "I've probably worked at nearly every level of management in the bank."

But in retrospect: "I've had a tremendously interesting career ... at times I moved fairly rapidly through, with each appointment offering something different."

Unassuming, quietly spoken, cautious, Shaw is described by associates as a good administrator.

He seems totally committed to his work, but is reluctant to give too much away, and shies off talking about himself personally.

PROFILE

But he believes he's approachable ("I'm not aloof") and "quite frank with the people I deal with."

Shaw is described by one colleague as someone capable of making up his own mind without "chewing everything to death," and ready to make awkward decisions "without undue fooling around".

He will "probably be an innovator." And he is described as a somebody people would be happy to work for and likely to prove extremely good for staff relations.

Through accident rather than design, he has done a fair "tour of duty" in head office. Thus he is not as well known as a banker in regional levels.

One observer recalls when a decision had to be made by all the banks about re-equipping Databank. A big decision. But Shaw showed he had the position of his own bank well at his command, and was not about to see things delayed.

Born at Pukekohe in 1923, at the age of 56 he can look back on 40 years in banking.

He joined the bank because he "liked the idea of working in the finance area — which after all pervades the whole of society ... it has always held an appeal for me."

Straight from Nelson Boys' College, he was 16 when he joined the BNZ's Kaitaia branch.

After a period in the Army and Air Force, he worked in Auckland before being transferred to head office in Wellington.

Early in his career he gained his Bachelor of Commerce degree and went on to pass professional accountancy exams and a diploma in banking.

He married his wife, Mavis, in 1950; they have a son and a daughter.

His first executive appointment, in 1955 was secretary to the board of directors and the general manager, followed by postings to Napier, Sydney, Taupo, then promotion to manager of the Te Aro branch in 1966.

After a period as district manager in Auckland he was appointed assistant general manager of the BNZ in 1974, and deputy general manager in 1976.

Two years later he returned to head office, and by 1971 had been promoted under a management restructure to chief manager, planning and control.

He has travelled as special guest to annual meetings of the IMF and World Bank, in 1974, 1976 and 1978.

A busy man, who admits to taking work home at night and on weekends, he sits on the boards of BNZ Finance Co Ltd and subsidiaries, Visa International, BNZ Nominees Ltd, BNZ North End Investments Ltd.

But he makes time for outside interests.

Not only does he play "a fair game of bowls," in the words of a fellow player, but he also plays golf and enjoys music.

On the prospect of controlling a multi-million dollar empire, he points out: "It's not the figures that count. Dealing with a big organisation with $107 million in shareholders' funds doesn't worry us ... we're dealing with it within prudent limits and guidelines laid down."

Discussing banking generally, he says there has been "a tremendous change for the good since 1976 when the authorities permitted banks to compete freely. It's changed our competitive stance, invigorated the banks, given our staff that opportunity to compete on equal terms (with other financial institutions). I applaud those changes."

But the banks didn't immediately rush out with new rates. "Market forces came into play," Shaw recalls.

The banks realised the competition would be stiff. But "it doesn't worry us, so long as we can compete as equals."

But when the Government steps in this had the effect of interest rates taking off from November last year, at a time when finance was required by farming and export industries.

Today the banks are competing with the finance companies, trustee savings banks and building societies — in fact, any deposit-gathering institution.

Probably some parts of the country are overbanked, but "it's a sensitive issue. If you want to withdraw from a small country town there can be strong resistance."

Running a branch network can be costly; and some rationalisation could be needed. But Shaw says it's more a matter of the banks being "selective" in opening new outlets.

He would not comment on the question of rationalisation in other sectors — even the finance companies, which are in direct competition with BNZ's 40 per cent-owned finance company. But he says' "I enjoy competition. It makes banking exciting, more stimulating."

He said he would like to see interest rates at a lower level. But he points out that in times of high inflation, high interest rates mean savers are getting a realistic return.

Is loan money becoming too expensive? "That's a decision for each person — whether the cost now of that money is worth it to him for what he wants to borrow it for."

He notes that businesses are much more money-conscious, focussing more attention on the level of stocks, control of debtors.

"It makes for more efficient management. If interest rates are low, it doesn't necessarily mean we make the best use of resources."

Shaw says that over the last decade or so the banks have become more "image" conscious.

Today there is a lot more advertising, mainly promoting particular services. The BNZ's advertising thrust is into two areas — Visa and deposit gathering.

He worries that the BNZ may have earned itself — unjustly, he argues — a conservative image.

After all, the BNZ has led the other banks into new ventures such as EDP systems and credit cards he says.

On Visa, Shaw insists: "We bore the brunt of the resistance to change, from various sectors." But there has been positive response from bigger retailers.

He declined to anticipate the outcome of the Commerce Commission inquiry.

He is not certain if automatic tellers are warranted here yet. But BNZ will bring in one or two on an experimental basis.

He says there is no hurry for these innovations. "We're already well up with the rest of the world. The fact that the country's five trading banks are linked into one system enabling almost immediate processing of transactions is quite unique in the world."

BILL SHAW ... ready to make awkward decisions

Banking appears to be a male-oriented business, when it comes to taking executive positions.

But the BNZ was the first to appoint a women to its board of directors.

Shaw admits there aren't many women achieving high positions of responsibility in the banking system, and does not believe things will change in the short term. But he says the openings are there, if women are prepared to "make a career of it."

On the future of banking, Shaw says there will be an important part for the banking system to play in the development of our natural resources.

He gave no hints of particular projects, but said "we will be involved in major financing out through to the major international banks."

## Chubb tries to check fraudulent cheques

CHRISTMAS is coming, and with it an expected increase in the number of fraudulent cheque and credit card presentations — a good time for Chubb New Zealand to launch its newest product, the "micro-check".

Made by an American company of the same name, the device is a specialised photographic system that enables the user to photograph a person and a variety of documents simultaneously and on one frame of film.

Micro-check works primarily as a deterrent, as people entering business premises with fraudulent intent will usually walk away when they discover photographic evidence can be taken during the transaction.

If a fraud is committed, the system enables easy identification and apprehension of the person.

Chubb is ready to market the device.

But initial inquiries have met with resistence from retailers, worried about the effect of micro-check on customers.

But overseas' experience has shown retailers' worries unfounded, according to the national manager of Chubb's alarms division, Tony Hughes.

The film is processed and developed only if required.

If a customer presents a "bad" cheque, the retailer can have a print of the person within 24 hours, said Hughes.

The unit is small and portable, designed to sit on the counter.

It will sell for about $1450 and will be available on lease for $40.50 a month. The film costs around two cents a frame.

The device has a split-lense camera. A film cassette clips on to the back of the machine.

It records photographs of the customer, the document and other identification all on the same frame.

Asked if the photos were acceptable for evidentiary purposes, Hughes said the company had not had a full legal opinion.

But the police say they would be happy to use them in evidence.

Micro-check is considered a valuable aid to law enforcement agencies overseas.

A major advantage was the psychological effect on people faced with the prospect of being pictured with their bad cheques.

"They usually pay up smartly", Hughes said.

The machine's effectiveness had not been quantifed overseas, but users generally found a "dramatic increase in recoveries", he claimed.

MICRO-CHECK ... a deterrent.

Chubb expects to import up to 300 machines a year.

The company will run a postal service for the cassettes, sending the client a back-up cassette while the other is being processed.

The American company has contracts with rental companies, *Playboy* clubs, liquor stores, a variety of large and small stores, jewellery shops and some banks.

At this time of year, the machines would be ideal for holiday resorts, Hughes said.

Chubb has approached rental companies here, and the hotel trade.

The machine does have application in hotels, he said. "But it should be discreet".



# Politics play part in purchasing

by John Draper

POLITICAL considerations will dictate who gets Air New Zealand's $500 million order for new aircraft in the 1980s.

The politicians have already demonstrated their approach to placing big orders by overriding the Railways Department preference for Japanese Commuter rolling stock. Instead the $30 million order for Wellington commuters went to Hungary.

The decision, Prime Minister Rob Muldoon said, was "to some considerable extent, influenced, by other factors being approximately equal, by the condition that the Hungarians would take an equivalent amount of New Zealand products into a market which we have not sold to any considerable extent in the past."

"We will continue to trade internationally on the normal basis of competitiveness, but the actions of other countries have forced us to toughen up our approach," Muldoon said.

Japan, the United States and the European Economic Community are making the marketing of New Zealand products particularly difficult.

Japan does not make planes — at least, none that are being considered for Air New Zealand's lung-haul or Australia and Pacific island routes.

America and Europe do.

For the long-haul routes to Los Angeles, Singapore, Hong Kong and Tokyo, Air New Zealand is faced with three choices — more DC10's, the further delayed stretched DC10 or the Boeing 747-200.

A minimum order of three 400-seat Boeing 747 jumbo jets or the McDonnell Douglas contender yet to lift off the drawing boards, for delivery in the mid 1980s, will need to be placed sometime late next year.

The need for the big jets is already apparent.

Air New Zealand is flying 12 times a week to Los Angeles and late next year, if passenger growth continues, it may add more weekly flights.

Taking the airline's average load factor of 70 per cent, it is now hauling 2184 passengers to and from Los Angeles each week, sufficient to keep three jumbo jets busy flying a total of six flights a week.

More comfortably, to cope with seasonal peaks, the airline would need to schedule eight jumbo flights a week still using three aircraft.

Throughout the coming decade the airline is forecasting a 223 per cent increase in long-haul traffic.

Japan should provide the highest growth as the airline plugs into a market in which its share at present is minute.

Three million Japanese visited the Pacific last year, less than half of one per cent coming to New Zealand.

Air New Zealand claims to be carrying an average of 30 Japanese on its flights to and from Hong Kong already.

A dramatic rise is expected when Tokyo is added to Air New Zealand destination boards in April.

Allowing for a modest growth in American traffic of say 8.34 per cent a year, the average overall expected increase in traffic up to 1984, the airline can expect to be carrying 3260 passengers a week to and from Los Angeles.

Growth might be more rapid. Only 5 per cent of Americans travelling through the Pacific pass through New Zealand.

To maintain existing load factors, and they are likely to go higher to get better utilisation, 18 DC10 flights will be needed in 1984.

Jumbo jets could handle the same loadings with nine flights requiring four aircraft, supplemented at peak periods by extra DC10 flights.

Potential fuel savings are enormous, as well as crew costs and handling charges.

Air New Zealand would prefer to stay with McDonnell Douglas and the DC10. Its maintenance base is set up to handle the aircraft and its derivatives and both airline and pilots, despite the recent fatal accident in Antarctica, are happy with its performance.

But McDonnell Douglas is still waiting for a big order before developing the stretched version further. In a bid to start production rolling half a dozen existing DC10 users including Air New Zealand had agreed to put in orders for three or four new aircraft each.

But last month, in the wake of the inquiry into the DC10 crash in Chicago in May which killed 274, McDonnell Douglas again delayed the project pushing possible delivery dates into 1984 or 1985.

All airlines involved, except Air New Zealand, have told McDonnell Douglas that they will reconsider their requirements and may buy Boeing 747s instead.

An order late next year is unlikely to see Boeing 747s in Air New Zealand colours until 1983 or 1984, unless production is boosted beyond the seven a week now rolling out of Boeing's Seattle plant.

An order for the Boeing jumbo almost certainly will lead to a complete DC10 replacement programme over the next decade.

Boeing's new breed are starting as favourites for Air New Zealand's medium-haul routes, the Pacific Islands and Australia.

The 200-seat 767 is being tipped as the plane Air New Zealand will want. Its only competitor is the European Airbus A310.

The final choice will rest with the Government.

A decision in favour of the Airbus A310 may be useful lever for wringing higher long-term butter or lamb quotas from the EEC while an order for three Boeing 767s or the bigger version of the existing Boeing 737 flown by Air New Zealand, the Boeing 757, may be used to extract a bigger beef quota from the United States Government.

Short-haul Pacific traffic, trans-Tasman and the Auckland-Wellington-Christchurch domestic trunk routes are expected to grow only slowly in the next decade.

Neither the Pacific short-haul nor the Australian traffic is expected to double, not quite.

Domestic main trunk traffic is forecast to grow by 62 per cent.

In the past, Air New Zealand has bought the planes it wanted, chosen on merit and performance. But the airline is unlikely to escape the tougher line being adopted by the Government.

New aircraft purchasing for Air New Zealand is let by tender, as are most Government contracts. And because the Government will need to be the guarantor of any loans which the airline raises for the purchase, it will have the final say.

Besides price, tenderers normally detail a package of trade-off by way of direct trade, sub-contract assembly in New Zealand, credit terms and possible financial packages to enable the sale to be completed.

In the longer term, Air New Zealand will be looking more closely at the Domestic fleet of Boeing 737s and Fokker Friendships F27. Older versions of the F27 are already being replaced.

Turbo-prop aircraft are more economic fuel guzzlers than fan jets and a bigger, more fuel-efficient version of the F27 is already being discussed by some plane-makers.

# Simulators cut costs

SIMULATORS are rapidly eliminating costly on-the-job training for pilots of today's modern automated jet liners.

Already pilots are landing fully laden aircraft for the first time at airports after hours of simulated practice at home base.

And there was nothing unusual in Air New Zealand sending a crew on its first flight over Antarctica with only simulator and video tape experience, according to Civil Aviation sources.

Civil aviation regulations demand only "physical" experience at two major airports in the Pacific Basin, Hong Kong and Wellington.

Qantas has been told that its pilots must have at least six months' flying on the Boeing 747SP and make two landings at Wellington before taking command of flights into Wellington.

With modern airliners costing $4000-plus an hour to fly, airlines no longer can afford to give their pilots first-hand experience of all airports.

Simulators can create the full range of conditions, and more, that a pilot may encounter.

SIMULATOR IN ACTION . . . learning to do it better.

# Merging in disaster

CRASHES seem inevitably to follow airline mergers and reorganisation.

Pan Am decided to centralise its flight operations control in New York in 1972.

Within months, Boeing 747 jumbo jets crashed, with heavy loss of life, at Bali, in Indonesia, and Pago Pago, American Samoa. In the same time span a Boeing 707 took off from Tahiti never to be seen again, with seven New Zealanders on board.

The creation of British Airways from BOAC and BEA was marked by the last crash at London's Heathrow airport, when a Trident fell short of the runway killing 150 people on board.

British Airways is still facing the same problem that now confronts Air New Zealand — how to amalgamate two separate pilot groups with the problems of seniority to be overcome.

British officials discovered an acrimonious relationship between the two Trident pilots and rude names about the captain had been scrawled in the aircraft's toilet.

Air New Zealand and NAC have been merged for 21 months. After more than a decade free of fatal accidents, two planes have crashed killing 259.

Coincidence?



# Erebus crash linked to super ministry merger

by John Draper

AVIATION experts are tracing the fatal crash of Air New Zealand flight 901 on Mount Erebus to the amalgamation of two Government departments into a Transport super ministry in 1968.

The status and powers of the once-influential director of civil aviation were subtly downgraded when the independent Civil Aviation Department was absorbed by the Transport Ministry.

The amalgamation ignored specific advice given by the Royal Commission of inquiry on the State Services chaired by Mr Justice McCarthy in 1962.

The commission recommended that Civil Aviation become an independent department, extracted from the Air Ministry where it was then located.

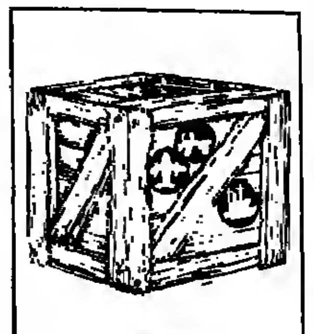
"Its size, and the growing importance of civil aviation, persuade us that it should not be amalgamated with the Transport and Marine Departments as Sir William Dunk and the Public Service Commission have recommended," the commission reported.

The commission said the new department should continue to be serviced by the Air Ministry until servicing could be taken over by the Transport Ministry.

"The Director of Civil Aviation should have all the powers of a permanent head: right of direct access to the minister, to the Public Service Commission, and to Treasury; control over policy (subject to the minister) and over staff; and a separate vote."

The recommendations of the McCarthy Commission were effected by the 1964 Civil Aviation Act which created an independent Department of Civil Aviation.

But its independence was short-lived. In 1968 Transport



TRANSPORT

Minister Peter Gordon made Civil Aviation a division of a new super ministry.

The position of secretary for civil aviation disappeared.

The previous director of operations and technical services became the director of civil aviation, a third-tier appointment answerable to the minister through the Secretary of Transport except on safety matters.

A decade later, the director's influence over policy and daily commercial activities has been eroded, leaving the position as little more than that of a skyways traffic cop.

Policy decisions are now handled by other officers who report to the Deputy Secretary for Transport.

Government pay rates have long made the recruitment of the skilled staff the director needs a problem. And the takeover by the Ministry of Transport further restricted potential opportunities for promotion.

Now only the director, Captain "Kip" Kippenberger, and his flight operations staff have any commercial aviation experience.

Initially the director insisted that Air New Zealand use captains only with Antarctic flying experience at the controls of the sight-seeing flights but was persuaded to relax the condition earlier this year when new training procedures were approved.

The airline argued that because the DC10 was not actually making a landing on the ice, the pilots needed only to be experienced in landings at Christchurch and Auckland. Time on the DC10 simulation in Auckland, video briefings and route familiarisation were deemed adequate preparation for the sight seeing trips.

It is understood that the Director of Civil Aviation was unaware that the scenic flights were dropping below the minimum approved 1850 metre level.

A civil aviation inspector was due to check out at least one Antarctic flight this year, but medical reasons prevented him going.

The division had recently been discussing the need for special safety equipment to be carried on the flights with Air New Zealand, though no decisions had been reached. The chances of survival from a jumbo jet crash are at best minimal.

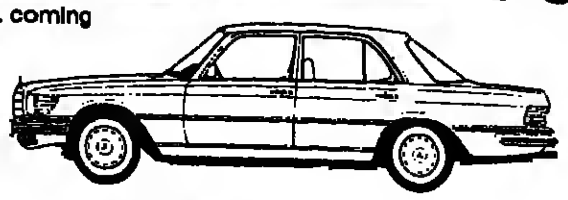
Qantas, which has been flying day trippers to the frozen wastelands, claims its captains command a flight only after flying at least once in the first officer's seat, standard practice when flying new routes. Special warm clothing is carried for emergency use.

And New Zealand Air Force and United States Air Force pilots are required to gain considerable Antarctic experience before being allowed to take command of a flight in a region infamous for its rapidly changing weather and difficult flying conditions.

Pilots eagerly volunteered to crew Flight 901, as all Air New Zealand Antarctic trips were designated. The opportunity to get away from routine for the beautiful scenery at the bottom of the world, was too good to miss.



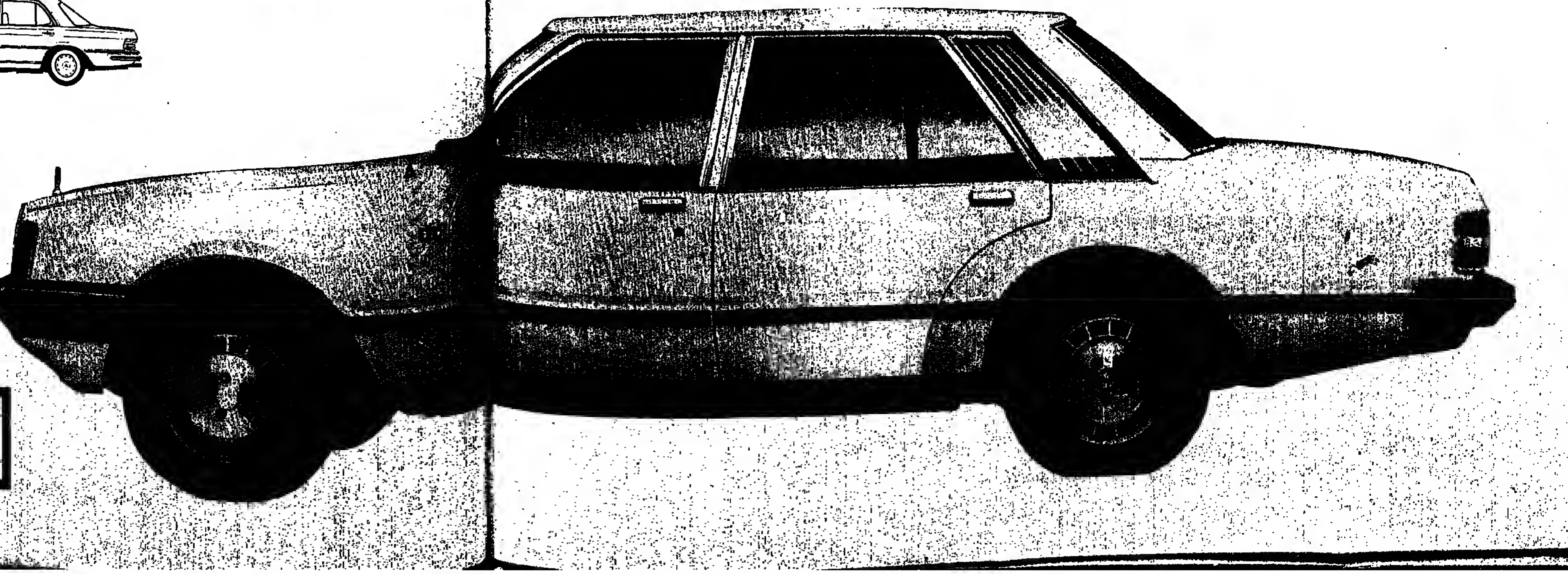




| Features | Ford LTD | Mercedes 450 SEL |
|---|---|---|
| Integrated Air Cond. Front/rear ducts | STD | STD |
| Power Seats | STD | N/A |
| Power Windows | STD | STD |
| Central Door Locking | STD | STD |
| Power Steering | STD | STD |
| Comp. Instrumentation | STD | STD |
| AM/FM Radio | STD | STD |
| Stereo Cassette | STD | STD |
| Rear Head Rest | STD | STD |
| Leather Seats | STD | STD |
| Retail Price | $32,245 | $70,000 |

| Dimensions | Ford LTD | Mercedes 450 SEL |
|---|---|---|
| Length | 197.8" | 199.2" |
| Width | 73.5" | 73.6 |
| Wheelbase | 116" | 116.5" |
| Weight | 3740 lb | 3890 lb |
| Front legroom | 41.2" | 39.5" |
| Rear legroom | 42.8" | 38" |
| Front headroom | 37.6" | 37.6" |
| Rear headroom | 37.4" | 36.7" |
| Front shoulderroom | 59.4" | 55.3" |
| Rear shoulderroom | 59.4" | 54.7" |





# Nathan bid handled 'as expeditiously as possible'

by Belinda Gillespie

THE delay between Nathan's takeover offer for McKenzies on June 23, and the decision in its favour announced by the Commerce Commission on November 30, was strongly criticised by sections of the business community.

The presidents of the New Zealand Chamber of Commerce, the New Zealand Institute of Directors, and the Auckland Chamber of Commerce, and counsel for the parties at the hearings for the proposal were among those who publicly expressed concern at the time lag.

Alan Monaghan, Examiner of Commercial Practices, was advised of the proposed takeover by Nathan's solicitors on June 21. He acknowledged the letter on June 27.

On preliminary investigation, he formed the view that the proposal was likely to be against the public interest, and he advised the participants that his consent was being withheld.

He told them he would publish formal notice of his intention to report to the Commerce Commission, and gave them till August 21 to make written representations on his intention to report.

On August 9, having been told that the participants had not changed their views, the Examiner gazetted notice of his intention, and began a full investigation.

His report on the takeover was received by the Commerce Commission on October 8.

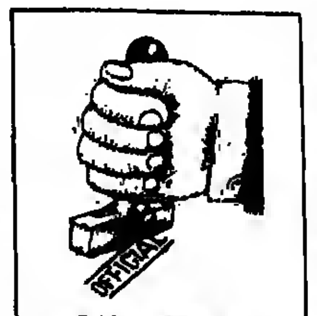
By October 11, the commission had fixed dates and gazetted them, first for a party hearing on October 23, and then for the substantive hearing which began on November 12, and ended on November 22.

The Commerce Commission, under the terms of the Commerce Act, had until January 1, 1980, to issue its decision.

But at the party hearing in October the commision heard for the first time that under the Companies Amendment Act Nathan's offer would lapse if not completed by November 30.

"The net effect of this was that the commission did not have even the time provided for even in its own Act if it was to be fair to all parties," the November 30 decision noted.

It asked that "the appropriate authorities should give urgent consideration to the provision of a statutory amendment designed to prevent the present situation arising in the future."




**GOVERNMENT ADMINISTRATION**

The hearing — the first under part 3 of the Commerce Act — is regarded as a test case. The decision is considered one which will lay down guidelines for the future, assessing proper methods of asset valuation and consequently the question of shareholders' funds for the purpose of obtaining effective rates of return, and adopting general principles about market definition.

Time prevented the commission from considering all these matters in its "brief" 23-page decision. But it hopes to issue "fuller reasons" at a later date.

The *Commission*, according to its decision, recognises that the procedure could be reviewed to prevent a similar situation in future.

According to its executive officer, Justin Kerr, the commission acted as expeditiously as possible in the circumstances.

It was unable to act until it received the examiner's report early in October.

On learning that a full month for making a decision had been lost, under the Companies Act, the date of the final hearing was moved forward to ensure a decision was reached by November 30.

Kerr, pointed out that the question is primarily one of the public interest, not the convenience of the parties concerned — and that the procedure is simpler than in some countries where mergers are examined after the takeover has been effected.

Kerr does not consider that the commission is overworked. But this year it had dealt with a number of urgent, large cases which had necessitated smaller matters being rescheduled, he said.

The commission has no control over its workload, which flows to it through:

- Decisions of the Examiner of Commercial Practices on trade practice and merger; and
- Appeals against decisions by the Secretary of Trade and Industries on control of prices.

The public hearings for these and other matters are the times when the commission is seen to be active.

But it also deals with a steady flow of work in the form of trade practice cases referred by the Examiner, with pricing appeals, and with mergers and takeovers.

Although the Nathan-McKenzie takeover is the first to come to a public hearing, the examiner has given assent to a large number since the Act came into force.

Collective pricing agreements, which must be registered with the commission before going to the examiner for investigation, are an area in which the body has some indication of its future workload — at present 192 are registered for future consideration.

Alan Monaghan, Examiner of Commercial Practices, considers the delay element has been exaggerated. According to the procedure laid down for mergers and takeovers, he points out, the companies involved could have approached him before making the matter public. That would have reduced the period of uncertainty.

"A merger affecting all parts of New Zealand can't be done in short," he commented.

**ALAN MONAGHAN . . . delay element exaggerated**

Over the period of the Nathan inquiry, he had investigated and given decisions on 30 other mergers, most of which had been withdrawn before they ever became public knowledge.

Monaghan has dealt with as many takeovers in the last six months as he did in the preceding 12.

But he has power to appoint extra staff to deal with the workload — as he did in the Nathan case.

And generally, he has no difficulty meeting the deadlines of the Act, which stipulates a period of 25 working days for the Examiner to object to the proposal, from the time it is registered, he said.

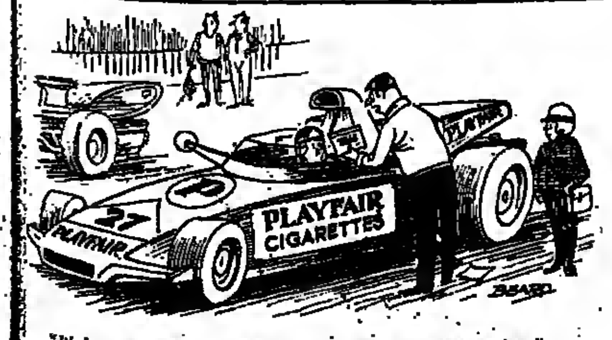
The companies concerned frequently want a decision in a short time, and he meets their requirements whenever possible, he said.

Many mergers contain no matters of great public interest, and are little more than a straight change of ownership. But there have been a number of more complicated issues since June, among them the Otago Press takeover, Transvision-General Finance, Watties — Premier Foods, Challenge Corporation buying into Tasman, AMP-Perpetual Trustees, Forest Products-MSD Speirs.

Since the beginning of the financial year on April 4, Monaghan and his staff have investigated 74 mergers and takeovers. But they say they have received only one complaint of delay.

The geographical spread of McKenzies and Woolworths outlets, most of which were investigated by the examiner's staff, was a major reason for the length of time taken to compile the report.

But Monaghan said he believed there was agreement among the legal and business community that the work generally was carried out with the utmost speed.




"It's from the Ministry of Health—they'd appreciate it if you lost."

# NBR BUSINESS WEE

## Economy increases dependence on foreign capita

by Peter V O'Brien

THERE is evidence that the economy has increasod its dependence on foreign investment in recent yoars, according to e survey published by the Reserve Bank last week.

The bank's *"Foreign Investment In New Zealand"* is published as a supplement to the *Bulletin* for November.

*It reaches several* conclusions:

"(e) The sources of inwurd investinent heve been very concentrated, with the United Kingdom, tho United States end Australie accounting for almost all of the inflow.

"(b) The direction of investment has also been concentrated to some extent, with the bulk of the total being channelled into manufacturing end, more recently in particuler, commerce.

"(c) There is evidence that the economy has increased its dependence on foreign investment in reecnt years.

"(d) Investment from overseas seems generelly to have been more profitable than domestic investment, but a higher proportion of profits has been retnined and reinvested in the business by overseas companies.

"(e) The statistics provide little evidence on the overall effect that controls on direct inveetment have had on inflows."

The bank says the data presented in ite voluminous statistical summary have shown a number of omissions or problems:

"(a) There is no separate published information on gross inflows and repatriation of direct investment.

(b) There is no up-to-date information on remittances of earnings of overseas companies and branches.

(c) There is no consistent and meeningful information on the outstanding stock of direct investment in New Zealand — that is on the overall sizo of the overseas owned sector."

| | Overseas Companies | All Companies |
|---|---|---|
| Number of tax returns | 1494 | 74,330 |
| Salaries and Wages ($'000) | 527,462 | 2,811,694 |
| Income tax assessed | 124,051 | 423,695 |
| Net Profit | 166,437 | 631,831 |
| Not Profit rate percent | 9.8 | 8.8 |
| Not Profit as per cent wages and salaries paid | 31.55 | 22.47 |
| Not Profit as per cent of tax | 23. 5 | 15.06 |

The bank also says many questions remain unanswered, especially those relating to the economic benefits and costs of foreign investment but the paper was not designed to pursue those matters.

Statistical information means whatever the reader wants it to mean, unless the latter is objectively analysing the data.

Readers of the supplement will take what they want from it, but the document could provide a useful base for disposing of various myths surrounding overseas investment in New Zealand, whether they are the myths of those totally in favour of investment, or of the xenophobic brigade.

The first myth is that the overseas companies "bleed" the country and remove their profits to the greater glory of the international corporation.

The bank says "a higher proportion of profits has been retained and reinvested in the business by overseas companies."

The fact that "investment from overseas seems generally to have been more profitable than domestic investment" has two possible explanations.

First, overseas companies may be more efficient than their local counterparts.

Second, overseas companies are unlikely to invest in low profit enterprises, after doing their homework.

Many New Zealand companies are stuck with what they built up in buoyant times.

They now face inevitable adjustments as the country moves into the 1980s.

The fact thet the economy has increased its dependence on foreign investment in recent years gives ammunition to the xeaophobee, while undermining the views of thoso who consider that overseas investmont will solve all our ills.

The middle path, as is often the case, probably better reflects the current state of investment on our economy.

On several occasions in these columns I have argued that high priced technology necessary for our development in future, must be bought in from overseas.

A country of three million people is unable to afford the heavy costs of development.

The alternative to overseas investment (subject to tight and spelt out, controls) is an idyllic pastoral backwater at the furthest possible distance from world markets.

That alternative may be attractive to job and income secure people or to those who renounce the material world in favour of rural lifestyle (often relying heavily on the material, medical, educational, and other resources of the world just renounced).

The alternative will have little support among the bulk of the population when a pastoral based economy finds itself with international marketing problems, while imported energy costs go even higher.

Some of the banks statistics are shown in the table.

They give the amount of wages and salaries paid, taxation payable, and net profit for local and overseas groups.

Unfortunately, they are dated 1973-74, but the trend is useful to indicate the overseas and New Zealand makeup of investment returns.

Overseas companies make more, in relation to wages and salaries, than the total of all companies, but they naturally pay more in taxation.

The question of added value, on the basis of the available statistics is therefore still open, as is the question of who, if anyone (local or overseas) is "ripping off" the country.





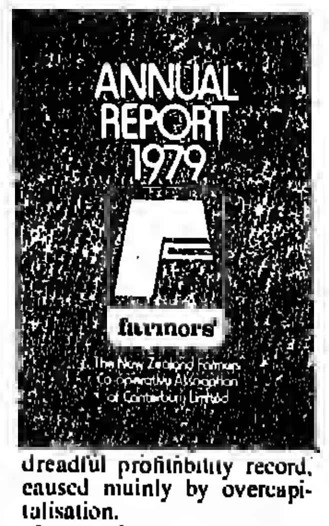
## Analysing annual accounts

by Peter V O'Brien

HE New Zealand Farmers p Assn of Canterbury Ltd ed 9.5 per cent on average eholders funds in the year ed July 31, 1979, an imvement on 1978's 7.9 per , but below the 13.1 and 4 per cent recorded rectively in 1976 and 1977.

The company writes up its perties to 90 per cent of ernment valuation each r, so the return has to be sidered with the revaluans in mind.

The return is still low, although more realistic than in er companies, which leads the question why the comy is seeking to takeover ywrights, a group with a




dreadful profitability record, caused mainly by overcapitalisation.

Chairman R H Clark says "Haywrights retail operation will have become less capital intensive (after restructuring and the takeover), and more effective in terms of trading efficiency."

That remains to be seen. Observers will watch developments with interest, given Haywrights' troubled history.

The NZFCA annual report is a good document, presented in modest form. The company presents its year with few frills (unless photographs of principal executives are in that category).

Shareholders can see easily what happened to their company in the year under review. They are given both figures and textual material to assist in the task. The disclosure could be improved, but is much better than many larger companies.

The "Financial" section of the Chairman's review deserves full quotation, because it says briefly the things that other companies fail to say in pages of "background information".

"Despite the relentless pressure of inflation, the ratio of current assets to current liabilities has been sustained at 1.94 to 1 and the net bank overdraft is less than $0.7 million higher than last year despite the increase of $3.3 million in current working assets. Only high profit retention and the taking of maximum depreciation permits this level of liquidity to be sustained.

"Shareholders funds have increased by $1.76 million to $15.61 million which provides a net tangible asset backing of $2.31 per 50 cent ordinary share . . . "

"There has been no change to issued capital during the year. Our standard practice of writing up properties to 90 per cent of the latest government valuations has been adhered to."

The review discusses divisional activity, with a sales breakdown for each main division. These sections could be improved if the company gave details of profit earned, and total investment, per division.

NZFCA scores well in tax disclosure. The company gives its total export incentives, and other allowances, a point which is overlooked in many bigger groups.

The substantial investment, in terms of total assets written up to realistic values, affects the relationship of cash flow to the amount required to operate the business.

Cash flow (net cash profit from all sources plus depreciation) was only 5.84 per cent of total assets at balance date, compared with 4.74 per cent in the previous year.

The result is that the group's proprietorship ratio remains unaltered at between 43 and 44 per cent of total assets for each year, in spite of a 40 per cent profit lift, and after taking account of the latest asset revaluation.

The fact that NZFCA managed to constrain its reliance on additional outside investment (whether current or term) in the year is impressive, given the comparatively low cash flow relationship.

Total debt (current and long term liabilities) increased only $2.3 million (13 per cent) out of a balance sheet total of $35.9 million at July 31. That is less than the inflation rate, suggesting tight internal control over movements in asset investment, and in liabilities.

Control is seen also in operating expenses. The profit and loss account shows an increase of $1.63 million in this item (from $9.45 million to $11.1 million, or 17.2 per cent) of which wages and salaries accounted for $700,000.

The latter item was only 9.3 per cent higher than the figure for 1978, and below the national average increase for all industry.

The state of the balance sheet, and the evidence of good control, admittedly in a year when stock and station companies received the assistance of a buoyant rural economy, suggest that NZFCA might be the group to sort out Haywrights.

Local identification could help the process, particularly as the reorganisation of Haywrights will bring the retail group back to its South Island origins and base.

It is paradoxical that NZFCA is ripe for some enterprising financial operator. Asset backing was $2.31 at balance date — probably a realistic figure in view of the asset revaluation policy — but last week the 50 cents shares were selling at $1.03.

The gap of $1.28 is 55.4 per cent of asset backing, a healthy margin for potential buyers.

## Exchange rates

At December 6 1979 $1 NZ worth:

| | | | |
|---|---|---|---|
| Australia | .8900 | India | Suspended |
| Britain | .4458 | Italy | 787.65 |
| Canada | 1.1357 | Malaysia | 2.0977 |
| Fiji | .8215 | Netherlands | 1.8686 |
| Japan | 237.89 | New Caledonia & Tahiti | 71.89 |
| West Germany | 1.6867 | Norway | 4.8179 |
| USA | .9730 | Pakistan | 9.6315 |
| | | papua-New Guinea | On Application |
| Austria | 12.16 | Portugal | 47.87 |
| Belgium | 27.47 | Singapore | 2.0933 |
| China | 1.4637 | South Africa | .7966 |
| Denmark | 5.2264 | Spain | 63.90 |
| France | 3.9595 | Sri Lanka | On Application |
| Greece | 36.03 | Sweden | 4.0660 |
| Hong Kong | 4.8138 | Switzerland | 1.5510 |
| | | Western Samoa | .8853 |

"Did you spare Lust, Sloth and Pollution for a run through Act Two?"

# Building: permit decline reflects ill health

by Peter V O'Brien

THE building industry is still sinking according to the latest building permit figures published by the Department of Statistics last week.

The department says 12,383 building permits for new houses and 4358 for new flats were issued in the year to September, compared with 13,643 and 5705 respectively in the same period of 1978.

The latest statistics confirm the steady decline noted in the June year (*NBR*, October 24). The June year house permits were 13,237 while flats accounted for 4810, as against 13,660 and 6081 in 1978.

The figures for completions are probably a better guide to the industry's overall health, because some permits are issued for work which is then either cancelled or deferred.

Analysis of that data emphasises the drop in work. The department says 17,600 new dwelling units were completed in the September year, a drop of 3700, or 17.4 per cent, on the 21,300 for the previous September period.

The percentage decline in completions was better than in the 12 months to June, but that is little consolation to builders who know the industry has to bottom out somewhere.

Total dwelling units completed in the 1979 June year were 18,200, as against 23,200 in 1977-78, a fall of 21.5 per cent.

On this basis, the country is heading for a 15,000 dwelling unit year in the foreseeable future, compared with the 32,000 odd which was common back in 1975-76.

Reasons for the drop are varied, and receive different emphasis depending on who is trying to make what political point.

A static population is an obvious reason, which the emigration figures compound. Some of the people leaving the country could be expected to build houses if they remained.

Other emigrants leave existing houses behind, which are added to the total pool.

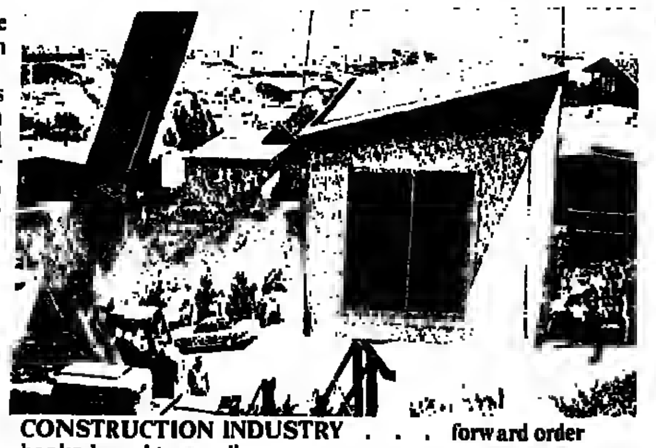
Rising mortgage interest rates would account for another portion of the downturn.

Outgoings in interest payments affect the ability of individuals to finance new houses, particularly when coupled with the general tight liquidity in the economy, the problem of financing other personal requisites, and the number of unemployed with low basic incomes.

The department's news release again draws attention to the increase in number and value of permits issued for alteration and additions to dwellings. The June release had a similar comment (*NBR*, October 24).

The department says: "A feature of the dwelling permits issued for the year ended September, 1979 was the 10.4 per cent increase in number and 20.7 per cent increase in value of permits for alterations and additions to dwellings compared with the September 1978 year."

In the June year this permit classification saw an 11.8 per cent increase in number and 19.1 per cent in value over the previous 12 months.



CONSTRUCTION INDUSTRY . . . forward order books in real terms slip

The latest figures show that the average permit for alterations or additions is rising in value terms, probably in line with the inflation trend and the higher cost of employing tradesmen (except for that happy hand who spend their leisure time in the primeval business of building their own shelters).

The trend in alterations and additions may also relate to the cost of building a new house and to mortgage payments.

Buying a house vacated by one of those emigrants can be cheaper than a new home in terms of cost per square foot and outgoings.

The "saving" can then be applied to changing the dwelling to suit one's personal tastes or family requirements.

There can be hidden costs in that activity, well known to anyone who has been left with odd pieces of various building materials.

Old houses have a habit of being constructed in feet and inches, while materials today are supplied in metrics.

The department's figures for "other building" show an improvement in the rural construction sector.

Farm buildings took [illegible] new permits worth [illegible] million in the September year, compared with $105 [illegible] $27.7 million in 1978.

They accounted for 9.[illegible] per cent of the $373.9 million worth of new "other building" while last year the percentage was 7.8 of $356.2 million.

The increase follows a pattern apparent in the last statistics, but can be expected to slow down a little as farmers complete their deferred construction programmes.

The construction index would be in worse shape without the improvement in farm buildings, a point which shows up in the comments of large construction companies whose forward order books have been declining in real terms for some time.

# Forest Products: shares undervalued

by Peter V O'Brien

THE market anticipated the interim report from NZ Forest Products. The share price last Tuesday, the day after the announcement was $2.80, only a small change from the preceding day.

The company reported profit of $17,888,000 for the first six months of the current year, compared with $5,409,000 for the same period last year.

The previous year's figure was out of line with the overall trend, so the second half result of $17,479,000 is a better guide to the overall performance.

Total profit was $22,888,000 in 1979, as against $20,332,000 in the previous year, and a record $25,330,000 in 1977.

On the basis of this year's first half result, the company should earn more than $30 million for the full 12 months. (all figures exclude the recent acquisition of MSD-Spiers)

Any projection in dollar terms is subject to wide margins of error, again speaking in dollar terms.

A $1 million change to Forest Products' net profit alters the earning rate per share only 1.4 cents, because the group has a capital of $71,296,437 in $1 shares.

The table gives the earning rate per share over a range of

INVESTOR INSIGHT

profits from $30 million to $35 million, and adds in the price earnings multiple for each earning rate, related to a share price of $2.80.

The mid point of that profit range is $32.5 million, which would give the company a second half profit of $14,612,000, and an earning rate of 45.58 cents a share. The projected price/earnings multiple would be 6.14. That is a relatively low multiple for Forest products in historical terms.

Last year the company earned 31.2 cents a share, and the multiple, taken when the annual result was announced, was about 7.5.

A similar multiple, related to the mid point of earnings listed in the table, gives $3.41.

The exercise can be conducted with reference to the likely dividend for 1979-80.

The interim dividend is raised from 7.0 cents a share (7 per cent) to 8.5 cents.

The final payment last year was 8.5 cents, making a total dividend of 15.5 cents a share.

The directors said last week that "provided the present trend in profitability is maintained," they anticipated being able to recommend a final dividend higher than 1979.

Assuming the final was increased to 9.5 cents, the total payout would be 18 cents a share.

The mid earning rate of 45.48 cents a share gives a cover of 2.53, compared with last year's 2.07.

The dividend yield at $2.80 would move up to 6.42 per cent. At a 7.5 price/earnings multiple ($3.41 a share), the yield is 5.27.

The exercise is statistical, and the market will decide what price it puts on the shares. The market will also take into account the directors' comment that "major expansion for the company will not be immediate, as the main increase in additional maturing forest will not occur until the 1990s."

That comment suggests the availability of sufficient wood to meet demand might restrain profit growth for a few years.

| Profit $ Million | Earnings per share (cents) | Price/Earnings Multiple at $2.80 |
|---|---|---|
| 30 | 42.07 | 6.65 |
| 31 | 43.48 | 6.44 |
| 32 | 44.88 | 6.24 |
| 33 | 46.28 | 6.05 |
| 34 | 47.68 | 5.87 |
| 35 | 49.09 | 5.70 |

Rising prices offset a lack of supply if there is an international wood shortage (already apparent overseas). They would allow the group to enjoy reasonable profits, before moving ahead rapidly at the end of the decade.

Movements in the international economy are another possible constraint on earning rates in the 80s, but that is a fact of life, and at present is in the crystal-ball area.

Investors had a good year from Forest Products to the time of the interim report. The opening price in January was $2.06, so a rise to $2.80 last week is a capital gain of 37 per cent in just under 12 months.

Other companies did better (see NBR's money market survey on December 3), but it is difficult to achieve major changes in the share price of a company with more than 71 million shares on issue, although a sizeable percentage of the capital is locked away in institutional holdings.

On balance the shares appear a little undervalued at current prices, but the share market is declining in line with rising interest rates and an economic outlook (subject to likely Government action) in the immediate future.

NOTE: The writer neither owns, nor has a beneficial interest in, NZ Forest Products shares.

# Off to the Think Tank

DAVID Young, the Wool Board's transport manager, will join Rob Muldoon's Think Tank.

Independent wool exporters don't know yet if this will be a curse or a blessing.

Young has been administering the Wool Board's shipping policies which prevent the independent exporters from using cheaper non-conference shipping lines.




Christchurch Gas, Coal and Coke Co Ltd increased unaudited tax-paid profit by 41.7 per cent over the previous year for the September half, taking it to $178,974. An interim dividend wasn't announced (last year's interim dividend was 4.5c or 4.5 per cent).

The Commercial Bank of Australia recorded an increase in overall New Zealand trading bank earnings by 133 per cent over the 1977-78 period for the year ended June 30 taking it up to $1,974,000. The total assets in New Zealand amounted to $495 million at year end.

Hawkins Holdings Ltd, Hamilton-based builders' supply merchants, recorded unaudited tax-paid profit of $252,137 for the six months to September 30 (down 18.7 per cent). The directors have declared a 3c (6 per cent) interim dividend, payable December 8, ex December 11.

Maree Holdings Ltd announced a one-for-four cash issue of $1 ordinary shares at premium of 70c to shareholders on the register at December 14. The company aims to provide a sufficient equity base to support plans for 1980-81.

McKenzies (NZ) Ltd has been taken off the Stock Exchange list following the finalisation of the takeover by L D Nathan and Co Ltd.

NZ Forest Products Ltd increased its unaudited equity-accounted tax-paid profit to $17,888,000 in the half-year ended September 30, raising interim dividend by 1.5c to 8.5c (8.5 per cent). The directors hope to recommend a final dividend that is higher than this if the present scale of profit-raising keeps up. This profit has raised benefits to the shareholders by over 12 per cent on an annual basis.

New Zealand Land Securities Ltd after obtaining approval from shareholders, announced it would reduce the nominal value of its shares from 50c to 25c in order to halve its ordinary share capital. The decision is to be confirmed by the Supreme Court.

Phoenix Assurance Co Ltd announced a $27,073 lower premium, at $6,161,471, for the year to June 30. The year's claim's represented 59 per cent of the premium income compared to 62.8 per cent for 1978.

Radio Otago ltd announced it will break up its $1 shares into 25c units, having gained approval from the shareholders. This move will increase nominal capital by $300,000 to 500,000, making a one-for-four tax-free bonus issue.

Radio Pacific Ltd is maintaining "a satisfactory profit" after the $110,615 initial losses experienced in the first five months of broadcasting, managing-director, Gordon Dryden said when releasing the annual report and accounts. The directors expect to recommend a dividend for the 1980-81 year. But no dividend was recommended this year.

Suckling Industries Ltd almost doubled its unaudited tax-paid profit for the six months to September 19, compared with the same period last year, taking it up to $272,183. The directors are cautious about the immediate future; they are expecting a fall in demand and an increase in pressure on liquidity. They feel these factors would negate the gains in profit and a stable forward orders. They have reported an unchanged interim dividend of 6c (6 per cent).

# Watersiders conform on container handling

by Rae Mazengarb

THE change which means some Wellington containers are now unpacked on the wharf, at an added cost to consignees (NBR November 26) follows a decision by Wellington watersiders to conform to an FOL guideline already followed at other ports.

A spokesman for Container Terminals Limited , the company which employs the watersiders in Wellington, said that in his opinion the Wellington union had acted responsibly in its handling of the issue.

When containerisation started, the watersiders unpacked everything.

According to guidelines laid down by the Federation of Labour since the inception of containerisation, an "LCL" (less than container load) must be unpacked in the wharf area. An "FCL" (full container load) may be unpacked by the consignee at his home or place of business.

A person emigrating from England and sending all his goods in one container to his new home address would be classified as having an "FCL", whereas lots of "bits and pieces" from diverse sources are defined as "LCL", and must be unpacked at the container terminal.

But in Wellington the rules were relaxed to allow fragile or otherwise vulnerable goods to be unpacked by agents. The watersiders relaxed the rules in Wellington only.

The relaxation existed for about three years, until the Auckland union claimed that to dodge the ban on LCLs being unpacked off the wharf, goods were being shipped to Wellington instead of Auckland, and asked that a uniform interpretation be adopted between ports.

The Wellington union then approached Container Terminals, asking the firm to enforce the ruling "virtually immediately", the company spokesman said.

He confirmed that a charge of $650 for devanning each container — as quoted in the article — was "not too far out".

This charge for unpacking went to CTL, with the watersiders paid on a shift basis for the work in the usual way.

In practice, the extra work generated had amounted to about six to eight boxes a month, he said.

He said his company preferred the previous situation, because the goods coming in LCLs were messy, vulnerable and difficult to handle.

The problem with the sudden change in procedure is that householders who have already paid the costs of shipping the goods — say, to an English firm — are faced with a further charge at the wharf before being able to uplift them.

Clients making shipments since the date of the decision are advised in advance of the additional cost of unpacking the container.

Before publishing our earlier story our reporter contacted the secretary of the Wellington Watersiders' Union to seek clarification of the facts.

The secretary declined to comment.

But after the article was published, the union — through its lawyers — complained NBR was in error in blaming the watersiders for imposition of the extra charges, objected to suggestions that the $650 payment went to the union, and pointed out that the order in which containers are unpacked is determined by CTL.

We contacted the union secretary again last week in a further effort to establish the facts.

Again he would not comment, saying the matter was with lawyers and therefore (he claimed) *sub judice*.

Informed we were writing a further story and told we hoped to check those facts with him, he replied he did not wish to know what the article was going to contain, and preferred to say nothing further.

# Tax cuts: the least Govt can do

THE Government last week announced changes in the marginal rates of tax for income between $4500 and $11,000 a year. Effective from April 1 next year, some taxpayers will gain cuts as much as $2.83 per week.

But there are no free lunches in this world. And this is true for the Government as well as the taxpayer.

Tax changes announced last week are not really a free gift for any taxpayer. They are the least the Government can do if it wants to offset the slowdown in economic activity.

And though the Government says that these tax changes mean it will earn $150 million less in revenue next year, it is only reducing the total tax bill for taxpayers with the same income this year as last.

When the personal income tax scale was revised before the last election, the number of marginal tax rates was simplified to five steps. These five marginal tax rate steps were carefully designed. At the time of the revision, most taxpayers found their tax bills reduced.

But not for long. As cost of living increases were added to wages and salaries, taxpayers found themselves moving rapidly from one marginal step to another. For each rise in income, taxpayers paid a more than proportionate increase in taxation.

That is, the personal income tax structure had a high degree of fiscal drag built into it.

Without explicitly raising taxes, the Government is able to get even greater tax revenue. This year the Government plans to get a 25 per cent increase in income tax revenue despite small downward adjustments to marginal tax rates effective from October.

A tax structure with a large degree of fiscal drag built into it, provides a political advantage to the Government. The Government can appear to be benevolent.

Whenever inflation automatically increases the tax flow to the Government's coffers, the marginal tax rates can be lowered without reducing the absolute size of the tax flow.

The Government can claim that these adjustments are tax reductions.

If the tax structure was indexed for inflation, then the shoe would be on the other foot.

The Government would get about the same increase in income tax revenue as the change in prices.

To increase the rate of growth in income tax revenue, the Government would have to pass legislation to raise taxes.

It can be to everyone's advantage to have some fiscal drag built into the tax structure. When producers are operating at full capacity, salary and wage increases will not generate additional output, they will only add to inflation.

So by creaming more off the top with additional income taxation, the Government is able to keep prices from rising too much. This has a stabilising effect on economic activity.

But when producers have spare capacity and lack of confidence to expand, then the economy could benefit from the consumer spending that comes from increased salary and wages.

While initially consumer spending will add to the prices of the existing goods and services available, in the long run producers may react by investing more and creating more employment and output.

This is what the Government hopes will happen as a result of its latest changes to the tax structure.

It remains to be seen whether these changes are large enough and take effect soon enough to offset other recessionary influences in the economy next year.

# State policy fails to boost productivity

by Warren Berryman

A DECADE of Government policy to boost productivity and increase the attractiveness of investment in productive and export related enterprise has failed.

The report from PA Management Consultants Ltd outlined this failure in bold relief.

The structure of the New Zealand economy, with its internal and external protectionism and subsidies, has not led to growth. It has subsidised inefficiency and mis-allocated labour and capital in the very areas governments have tried to discourage.

Surprisingly the PA report, written by PA consultant Bernard Ivory brought little response from the pressure groups except for a knee jerk reaction from Manufacturers Federation economist Wayne Coffey who spoke in defense of export incentives.

The report analysed the performance of our publicly listed companies

The trends brought out in the study, and the comparisons between New Zealand and Australian business performance, are alarming.

Investment in productive enterprise has become less attractive than Government stock or lending on mortgage.

Total assets of New Zealand companies are being employed less and less productively while the Australian trend is the reverse.

New Zealand shareholders are getting a declining proportion of net profits as dividends. Dividends were 54 per cent of net profits in 1970-1 and only 42 per cent in 1978.

New Zealand company after-tax profits show a slightly rising trend. But the cause of this is a significant company tax, largely because of export incentives.

Real company performance, measured as a return on assets employed, shows a downward trend.

Export incentives, the report concluded, ... the after tax profits ... ter. But they have ... creased the dividend ... to shareholders.

The report said ... "taxpayer is to some ... subsidising, not ... shareholders (as might ... pected), but overseas ... sumers."

Rather than encouraging ... porters by encouraging ... vestment in export ... Government policy has ... a situation where comp... producing for the dom... market were leading exp... in the profitability ... (NBR, December 3, 1979).

The report also cri... election bribery as a dam... force in the economy.

## China foil

THE New Zealand Exp... Import Corporation ... notched up another "first" ... selling a small quant... aluminium foil to the Peo... Republic of China.

An early consignment ... foil, manufactured by ... (NZ) Ltd at Wiri and ... about $10,000, left Auck... on a Chinese ship last ... It will be followed in Ja... by a $195,000 shipment f... the same factory.

Corporation general m... ager, Stan Stanworth ... there may be scope ... further $1 million of sale... year if the first ship... prove satisfactory.

Alcan's export man... Mel Beaton said his comp... was the only one in the cou... with aluminium sheet an... rolling facilities.

He said the equipment ... sily handled the Chi... specification, for a thickne... .014mm.

Stanworth said the foil w... likely to be used as packa... for Chinese exports of co... fectionary and pharmac... tical products.

# Top man's resignation creates stir in PR world

by Rae Mazengarb

PUBLIC Relations Institute president Robin Clulee's departure from the top job at Eric White Associates looks likely to generate greater competition in the Wellington public relations business.

According to industry gossip, Clulee will set up a holding company and gather a group of independent public relations people around him, together with photographers and commercial artists.

The group would pay a major proportion of its revenue into the holding company, which would be responsible for all overheads. At the end of the financial year, there would be a dividend or some other profit-sharing arrangement.

Clulee is playing things quietly. But he admitted he had been "talking to a number of people and organisations" over the last few weeks, including some clients of his old firm.

"These things are always sudden, if no one knows about them," Clulee said.

He had given Eric White three months' notice in early November, and the company paid him off after two weeks.

His move was the result of "frustration over conservative management", he said.

Considered by his associates as "well and truly dug in there" as general manager for the Australian company's New Zealand operations, Clulee left at a time when Eric White appeared to be expanding, and on the eve of a move to larger Wellington premises.

His departure follows the recent resignation of another Eric White senior employee to join a competitor.

Senior consultant Tony Farrington has indicated he will not renew his contract with the firm. He will join Clulee in three months.

Clulee's replacement, former Queensland manager John Butler had been due to take up the appointment of Wellington manager. Now he has landed himself the top New Zealand appointment instead.

Eric White was taking the affair fairly calmly, but Clulee's move had been "fairly sudden", said Butler.

Butler said he understood Clulee was setting up his own agency in Wellington.

Clulee was "his own master from now on," said Butler. "It's a competitive business".

One of the biggest PR firms in the country, Eric White's clients include CWS and Borthwicks, the Port of Liverpool Authority, the New Zealand Society of Accountants, the New Zealand Post Primary Teachers Association, Trigon Plastics, Villa Maria, Nissan Datsun, Ogilvy and Mather, Idaps, Yates Du Pont, Feltex, W D Scott, and the Permanent Building Societies Association.

Talk of Clulee setting up another agency has led to speculation about the clients who might go with him.

Eric White appears confident it will retain its clientele. No one had indicated an intention to go with Clulee, Butler said.

Clulee may take the Permanent Building Societies Association account with him. He is the foundation secretary, and virtually set up the association.

"But that's for them to decide," Butler said.

A spokesman for the Post Primary Teachers' Association said the organisation was aware of the situation, and the matter was under consideration.

The New Zealand Society of Accountants will decide "when we know what alternative arrangements will be offered".

Clulee is said to be interested in Borthwicks. The strong link to the freezing industry through CWS and Borthwicks is said to be worth "plenty", according to one industry observer.

The general manager of Borthwicks CWS, Bill Gordon, said both Farrington and Clulee had handled the account personally. He was aware they were both leaving Eric Whites and said the decision over the handling of the account would be made shortly.

As president of the Public Relations Institute (PRINZ) it has been suggested Clulee should not take Eric White clients with him.

But Clulee told *NBR*: "One doesn't 'take' anything, in this situation – that's a very emotive term".

He had simply left and he had told clients and staff. They would make up their own minds.

There was a great deal of sensitivity about soliciting for business, he said.

The clause in the institute's code of professional conduct which governed dealings with another company's clients was "unenforcible and not entirely appropriate," said Clulee.

The code says: "A member shall not seek to supplant another member with his employer or client, nor shall he encroach upon the professional employment of another member unless both parties are assured that there is no conflict of interest involved, and are kept advised of the negotiations".

He had pressed for some years to have it removed, Clulee said.

He had been "particularly careful not to solicit", he said, but he admitted it was a very grey area.

Other industry sources agree that "soliciting" is almost impossible to prove.

Frequently the client is anxious to retain contact with a particular person, and will insist on following the consultant to his new employment.

The institute's disciplinary committee has had some half a dozen complaints over the years, but the clause has never been policed successfully.

One industry spokesman expressed concern that clients could be put in an awkward position if a consultant from one firm pressured clients into breaking contracts to take their business elsewhere.

"It could breed instability in the industry", he said.

But there are indications from many in the industry that competition is healthy — and that enterprise is the nature of their business.

# Arabian market: 'open sesame' for the cultured

by Warren Berrymen

CULTURE shock, ethnocentrism, common bad manners, and an abysmal lack of elementary market research — these add up to a wealth of lost opportunities for exporters in the potentially rich Middle East market.

That's the view of Gavin Hamilton, international marketing executive for Namco New Zealand Ltd.

Namco, a furniture manufacturer, is finishing off an export order for 40,000 chairs to the Iraqi Government worth $50,000 FOB.

Hamilton recently returned to Auckland after a two month follow-up trip through the Middle East.

Talks with trade commissioners and resident arabists led Hamilton to believe New Zealand exporters were sending the wrong sort of people to the region.

He found so embarrassing the antics of some fellow countrymen in Middle Eastern hotels that he disowned them as Australians when asked by Arab business contacts who they were.

For a start, too many New Zealanders saw the Arab as a dirty illiterate sitting in the suq — easy prey to high-pressure selling Kiwi style, Hamilton said.

Nothing could be further from the truth. Hamilton said the business contacts he dealt with in Bagdad, Kuwait, Bahrain, the Emirates, and from Saudi Arabia were highly educated, sophisticated and acutely aware of the intricacies of international business.

Many of his contacts had been to the best schools in Britain and the United States.

"The courtesy and hospitality was far better than any where I've known. They were a pleasure to do business with," Hamilton said. (He speaks, Swahili, Bantu, French, and a smattering of Arabic.)

> **THE do's and don'ts of Arab etiquette are not hard to master provided one is not so ethnocentric as to believe good manners begin at Auckland and end at Bluff.**
>
> **For example; do eat, point, touch, and shake hands only with the right hand and reserve the left for toilet purposes unless you mean to insult.**
>
> **Do assume your Arab contact has at least as much savvey as you have. Chances are he can quote share and commodity prices off the New York and London exchanges that you haven't the foggiest notion about.**
>
> **Do accept coffee and tea when offered. But don't admire objects in your host's home or office unless you want to walk out of his office with a carpet or urn forced on you as a gift by your host. Arab generosity is *de riguer* and to admire is to imply that you want the object admired.**
>
> **This is particularly important should you happen to see your hosts wife or daughter or their photos. Should this unlikely event occur don't say "she is pretty;" this will be taken to mean that you desire her.**

"The point rammed home to me by trade commissioners and business contacts is that New Zealanders don't do their homework.

"The trade commissioners I talked with were annoyed at the number of businessmen who would just arrive and phone in asking for appointments with contacts to be jacked up with no prior notice."

Failing to do one's homework can be costly. Hamilton pointed out that visas take at least a day each to arrange and often take up to two weeks.

It's no use trying to catch people in at their offices between noon and four. One should be lunching with contacts during these hours.

And woe betide the businessman thinking he can do business on Thursday afternoon or Friday — the Moslem weekend.

Waiting for visas or appointments is expensive. Hotels in the Gulf States can go for as much as $400 a day.

Hamilton said he learned from some of his own blunders. His original order of 40,000 chairs was won without getting to Iraq.

A new Zealand travel agent told him he could pick up an Iraqi visa in Geneva. When he got there he found no Iraqi Embassy.

When he did find an Iraqi embassy he was told a visa would take two weeks; a security clearance was required first.

He came home and did the selling by phone.

Hamilton was told by a travel agent he could use his credit card in Bagdad — more mis-advise, he found.

Dining with Saudi contacts in the Bahrain Hilton, Hamilton was asked by his Arab companions who were those people whistling for the waiters. Rather than reveal them as New Zealand businessmen Hamilton passed them off as Australians.

"Trouble is those guys sent up there represent New Zealand," he said.

"We should be sending people who do their homework . . . who are sensitive to cultural differences . . . people who know what they want to sell and to whom."

Hamilton made the point often made by old Asia hands.

Business is conducted on a very personal basis in the Middle East, Hamilton said.

"If they like you you are 90 percent there. Its not just price that sells", he said.

"The hardest part of the job is loneliness in an alien environment. The salesman must be self-sufficient, able to amuse himself."

Hamilton's advice [illegible] exporter is, "don't [illegible] drinker" because he [illegible] miss appointments [illegible] is precious and make [illegible] impression on Moslem [illegible] tacts if he overimbibes.

"It costs too much to [illegible] man up there to waste [illegible] ute of his time."

The man who is [illegible] represent his company [illegible] have the authority to [illegible] company to a contract [illegible] Arab contacts will dismiss [illegible] as a "boy". But to send [illegible] too high up in the corp[illegible] echelon on the first trip [illegible] cause the company to [illegible] face, Hamilton warned.

He said he spent six [illegible] researching the market [illegible] he boarded a plane.

His contacts [illegible] strings of prayer beads [illegible] made from New Zealand greenstone, an Arab gift [illegible] distinct New Zealand fla[illegible] and one that would not [illegible] too much like a bribe.

"A lot of New Zealand companies are scared of the eight per cent performance bond required of bidders [illegible] some Arab Governments [illegible] the area." Hamilton said.

Another problem was [illegible] cussing a tender, when [illegible] Government contacts [illegible] not allowed to discuss [illegible] tract under tender. It required tact and a care[illegible] working around the subject.

Hamilton said he [illegible] much could be gained [illegible] porters would pass on [illegible] mation and contacts to [illegible] panies dealing in non-[illegible] peting goods.

He had one such tip [illegible] on a Kuwaiti wanting [illegible] 50,000 chickens a month. [illegible] spoke to New Zealand [illegible] suppliers; none was inter[illegible] ed, he said.

Bagdad offered a [illegible] market.

The Bagdad fair held [illegible] October attracts exhibits [illegible] one third of the [illegible] countries and business[illegible] from the whole Arab world [illegible] said.

New Zealand had a [illegible] stand at that fair, but filling [illegible] space allotted were only [illegible] empty tins of Fresh Up [illegible] some posters, he said.







Look who's back in town

AD GAME . . . sentiment returns

## Agency on right track

WELLINGTONIANS since 1902 — have been a bit chesty-proud of their cable cars. After all, only two other cities in the world have them.

So when, after an enforced suspension of service, brand new cable cars came into operation recently, it was unlikely that any Wellingtonian was surprised to see a full-page newspaper ad announcing the fact.

"Look who's back in town," it said, picturing a celebrity line-up in front of one of the new cars.

After nearly two years of cable carless days it seemed a fitting welcome back. And that's what prompted Ogilvy & Mather to suggest the idea to the Mayor, to offer its services to produce the ad, and to raise the space costs by passing the hat round among community minded clients and business firms.

Who said there's no sentiment in business?

## Farming mag stakes claim

AS a result of a June survey by McNair, a relatively new farming publication is now claiming second place in the readership ratings position for farm magazines.

The *Northerner* is a free, fortnightly farming paper, delivered by rural delivery post, with a circulation of 54,000.

At the time the survey was taken, the journal had been published for only 10 months and had been circulating in rural delivery areas in the whole of the North Island for only five months.

ADMARK

RURAL READING . . . newcomer stars in regular stable

Out of the 15 regularly published farming papers and journals surveyed by McNair, the *Northerner* was shown to have the second highest reach per average issue in the North Island.

The North Island results showed 63 per cent of farmers read *Farm Equipment News*, 57 per cent *Northerner*, 53 per cent *Straight Furrow*, 47 per cent *New Zealand Farmer*, 43 per cent *Dalgety News* and 40 per cent *NZ Dairy Exporter*.

Additionally commissioned questions showed that 35 per cent of farmers' wives were also regular readers of the paper, that readership was spread across all age groups and that average reading time was 20 minutes.

Its sister paper is the *Southerner* which enjoyed a 65 per cent readership in the coverage area when it circulated only in Canterbury, Westland, Marlborough and Nelson. It now circulates to all rural delivery areas in the South Island and has a circulation of 25,000.

*NZ Farming News* which publishes both papers now claims that the combined circulation reaches 80,000 farm holdings throughout New Zealand.

## The farmer customer

ALTHOUGH the farming industry is highly responsible for keeping New Zealand's economy ticking over, surprisingly little research has been done on the farmer as a customer.

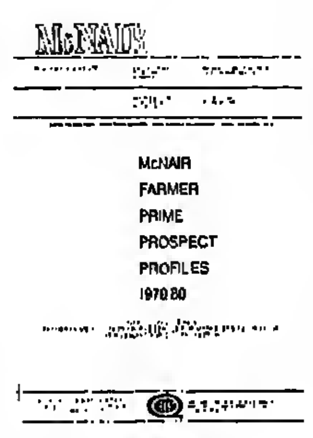
There are relatively few farmers — some 70,000, depending on your definition — and they are literally scattered from North Cape to the Bluff, so the cost of building a sample and conducting the field work has always been an inhibiting factor.

McNair has now registered a first with a syndicated survey called *McNair Farmer Prime Prospect Profiles 1979/80*.

The field work took place in June this year and involved personal face to face interviews with more than 1200 farmers.

The result is a report which covers 27 product categories included under the heads of finance/banking, farm improvements, item ownership and purchasing, agricultural chemicals, travel, farm types and media.

McNair points out a number of applications of the reports. As well as ascertaining the total market size for a given product, they can provide information on profiles of heavy/medium/light users by identifying farmer characteristics of each group, or determining user profiles of major brands plus other variations on this theme.




McNAIR REPORT . . . farmers' media habits

Through identifying media habits, the results can be used to facilitate advertising budgeting.

Subscribers, in addition to buying reports in the product categories they require, also buy access to the information stored in data bank which can be re-processed to provide answers to specific needs.

Subscriptions are on a sliding scale ranging from $1100 for any one product category to $5500 for the whole series.

## Stuck on elephants

IT seems that these glue manufacturers are getting a fix on — of all things — elephants.

On this page in the October 10 issue, we sadly related how PR people endeavoured to obtain free publicity for their client's product Superfix. And as all square-eyed viewers know, that's the glue you lift elephants with on Television commercials during the elephant lifting season.

Superfix has a couple of competitors in this area. One of them is the well promoted Selleys, which markets a look-alike product in Astrabond Supa Glue. It's version of the effective cyanoacry-late ester glue is contained in a bubble pack mounted on a hanging card which boldly features a photograph of — yes, an elephant.

Elephant-lifting-glue manufacturers are not publicly renowned for a jumbo-sized sense of humour, so we guess that Karbond Industries which makes Superfix, responded with more than just eyebrow lifting.

Anyway, our friendly hardware dealer tells us that his friendly Selleys rep says that the next printing of the Astrabond card will show an "As advertised on TV" panel to replace the pachyderm pack.


SELLEYS PACKAGE . . . not a jumbo-sized sense of humour

## Awards planned

AS the year runs to its close, the INL Newspaper Advertisement of the Year Awards project is beginning to gain momentum.

To qualify for the competition, advertisements must have been published between January 1 and December 31 and entries close on January 25 next year.

In a recent release, Alan Burnet, INL's group managing director, reports that the company is delighted with the response from advertising agents to date.

At the same time an additional category for spot colour entries has been announced.

The winners of the awards will be announced at a special function to be held at the Hotel St George, Wellington, on Tuesday, March 25, 1980, where the presentation will be made by the Prime Minister, Rob Muldoon.

At that time, the INL group of companies will combine to present INL Advertising Week, headlined by the presentation by the chairman of the judging panel Bryce Courtenay of Sydney, of a paper on "*Effective Newspaper Advertising*" at Wellington, Auckland and Hamilton.

# Blue jeans join big-time manufacturing market

by Werren Berryman

TRADITIONAL denim jeans are coming back strong. And worldwide sales for Blue Bell Inc, the American makers of Wrangler, topped $1 billion for the first time — an 18 per cent increase over last year.

Worldwide seles for the second quarter of this year were up 33 per cent over the same period last year and net income was up 68 per cent.

Iain Lyon, Blue Bell's Asia and New Zealand director was in Auckland the other dey visiting Wrangler's New Zealend franchise, Standfast Ltd.

New Zealand Wrengler sales were tops for his region on a per cepite basis, Lyon said.

Standfast's maneging director John Sinclair estimated thet Wrangler held ebout 11 per cent of the local jeans market.

DENIM JEANS ... trendy 'cowboy look' boosts jean salesby Werren Berryman

Wrangler holds ebout 15 per cent of the United States market.

The upturn in the jeans market occurred in the last six months and basic denim cloth is now in short supply, Lyon seid.

Lyon said the total jeans merket in the United States was for 600 million pairs e year — or two and a half pairs n person.

Jeans and slecks represent over 70 per cent of the Blue Bell sales.

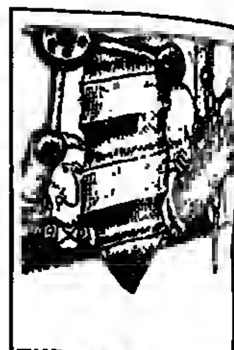
Both Lyon and Sinclair egreed the traditional jean wes coming beck into vogue.

Also in vogue was the "carrot look" — tight waist, baggy top, and tight legs, Lyon said.

"The trend is for looser fitting clothes," he said. "Fashion trends are set between Milan and St Tropez. Most guys go there to see what trend is coming and to keep ehead."

Sinclair said the "Western look" was enjoying n resurgence in New Zealand and his compeny would be getting back into the area that was so vibrent e few years ago.

The United Sintes contributed 60 per cent of Olue Bell's total sales of $1,029,453,000 last year. In 1978 the international operations contributed 36 per cent.



THE MANUFACTURER

Worldwide pre-tax earnings before interest increased from $99,585,000 in 1978 to $124,664,000 in 1979. Outside the United States, the company's pre-tax pre-interest carnings increased by 35 per cent over the same period.

Earnings per dollar of sales improved from 6.1 cents in 1978 to 6.5 cents in 1979 and earnings per share from $4.38 to $5.36.

Wranglers are sold in every country in the world but Communist China, Lyon said.

Blue Bell operated on its own account in 22 countries, through manufacturers under licence in 18 countries, and exports to the rest of the world through agencies.

Blue Bell bought out Amco, Australia's largest jeans manufacturers in September for $13.5 million.

Asked about the comparative advantages of manufacturing offshore, Lyon said the American plant was the most efficient production unit. And that was where most of the clothing was made.

"We tend to get better productivity in the United States than in low labour cost countries. Sophisticated technology overcomes the higher labour costs in the USA", he said.

Lyon added that American labour was cheeper and more productive than European labour.

Pressure from cheap imports was eesing, Lyon said.

"The United States import business has dropped right off. Reteilers don't want to buy goods with a long lead time. They expect e slump in sales. Thus they prefer US manufacturers who provide fast delivery and allow them to reduce their inventory risk" he seid.

Wrangler jeans are priced at $18 in the United States though some discount houses sell for as low as $13. The same pair of jeans costs $25 here, $32-$36 in Europe and $13 in Hong Kong.

Retail markups, as well as duties and manufacturing costs contribute to these price differentials.

The European markup average 100 per cent, Lyon said. In America and New Zealand markups average 50 per cent. In Hong Kong they are only 20 per cent.







# Bill draws some skilled probing

by Colin Jones

THREE MPs dominated the select committee hearings on the National Development Bill.

Barry Brill, energy undersecretary and MP for marginal Kapiti, carried the brunt of the Government's case.

Mike Minogue, dissident in the Government ranks, probed for ways of making the Bill more workable and less impatient of minority rights.

Geoffrey Palmer, the newest of all Labour MPs, exposed the legal and constitutional fishhooks with the skill of a practised courtroom lawyer (though he is not one).

Brill is the ideal man to champion a "fast-track" Bill. He is the epitome of a "fast-track" MP.

He has a nimble mind — quick to grasp ideas, develop them and exploit them.

It was he who, when Ian McLean and Doug Kidd first put up their suggestions to streamline planning procedures, recognised the potential of the idea. He developed it in a series of speeches and became one of the driving forces in its conversion to legislation.

When it came to the committee hearings, he was the pro-Bill MP who most skilfully exploited inconsistencies and weaknesses in critics' cases and most forcefully urged on witnesses acceptance of the Government case.

Brill has also been one of the strongest and quickest formulators of the emerging Government development strategy.

Speed and the grand sweep — but sometimes too fast and too broad-brush.

Nevertheless, he remained a powerful arguer for the Government's case on the committee and — as chairman of the Government caucus (MPs') committee on the subject — a quick and assured conceder of points when warranted.

At one point, early in the hearings, he and David Lange effectively agreed judicial review across the table while witnesses were being questioned at the end of the table.

Beside Brill, the other defenders of the Bill were either pedestrian — like Venn Young, Environment Minister — unsubtlely single-minded — like Warren Cooper, Regional Development Minister and MP for the high Clutha dam district — or tentative — like Kidd.

Only McLean, standing in on rare occasions, matched Brill's determination.

On the other side of the table the determination met a match in Palmer.

Palmer read all the submissions. He worked out detailed lines of questioning on them. His questions were incisive and effective in bringing out the legal defects.

He arrived daily with a box full of the 28 Acts overriden by the National Development Bill and worked his way through them one by one — demonstrating one point after another where the Bill might prove unworkable.

It was Palmer who, in the introduction debate on the Bill in the House, put an almost casually confident Government on the defensive for, perhaps, the first time in the 1979 session.

And his relentless committee questioning seemed for a time to having taken toll of Government MPs, throwing them on the defensive.

During one absorbing session with Alex Frame, a senior lecturer in Palmer's own former workplace, the Victoria University law school, he left little doubt that trying to exclude recourse to the courts would almost likely involve more and longer litigation than under the present system.

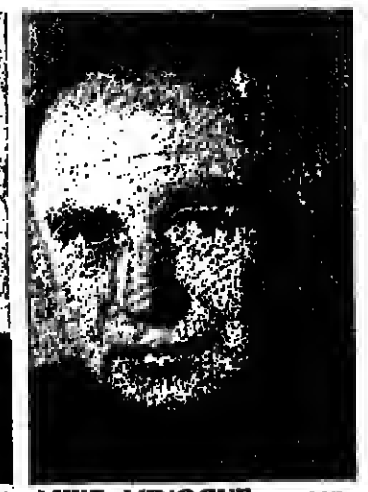
In solidity he was a cut above Lange and the other Labour lawyers who filled in on the committee, Frank O'Flynn and David Caygill — though his somewhat humourless, and at times surly, manner made Lange's wittier approach the more attractive.

The other Labour members — principally Sir Basil Arthur and Fraser Colman — never matched Palmer's influence, having neither his legal skill nor a clear development strategy alternative to that of the National MPs.

But if there was a hero of the committee hearings, it was Minogue.

With painstakingly methodical persistence, Minogue pursued a number of lines of questioning: the right of recourse to the courts and the need to resolve the legal tangles; the need for full information if various bodies affected by the legislation were to operate effectively and democratic rights were to be preserved; and the need for local bodies to be assured they were not going to be left carrying expensive cans full of costs and legal actions for damages.

BARRY BRILL ... cut apart criticism



MIKE MINOGUE ... constructive influence

Though he occasionally was a little short with his colleagues — he once told Young to "shut your trap" — Minogue's questioning of witnesses was invariably polite and patient.

And, though he was frequently scornful of the Bill, his probing pointed up defects to be removed and improvements that could be made to preserve as much of the existing public rights in planning as possible, if it was going to have to go through.

As such he may well prove to have been the most constructive influence in its progress. Putting him on the committee was an inspired move.

# Development Bill criticised on three basic scores ... committee

by Colin James

"WE don't have a national development plan." That comment by one of the witnesses to Parliament's lands and agriculture select committee illustrated an unease underlying much of the opposition to the National Development Bill.

This unease manifested itself at three levels:

- Disapproval of the energy-intensive capital-intensive type of development seen as implied by the Bill.
- Suspicion of the apparently blank cheque the Government was writing itself on the future development path.
- Fear the Government wanted the Bill so that it could make underhand deals with big overseas companies entailing assurances that the companies' requirements would be met, regardless of local opposition.

Numerous witnesses argued before the committee that if the principal reason for the Bill was self-sufficiency in energy, the criteria for "fast-tracking" a project should be narrowed to energy.

Some witnesses asked: If it is not the projects themselves but the urgency underlying the country's need for them, why not write in an urgency requirement?

And why was there no right of recourse to the courts? Was it to ensure that developers would get the terms they negotiated with the Government even if the Planning Tribunal disagreed?

When Ian McLean asked an Environmental Council witness why she thought the Government would be prepared to brave the political flak of overriding a recommendation of the Planning Tribunal after a public hearing, she answered:

"The political flak on the Bill has been enormous and yet the Government is still prepared to go ahead with it."

All that flak and such a far-reaching change to planning law for, if Ministers were to be believed, a handful of projects. Why not use special empowering legislation for each? Why have the Bill at all?

This theme was echoed by other critics on other trains of thought.

The Coalition for Open Government, for instance, questioned whether there was any evidence that existing procedures actually inherently produced the delays the Government complained of.

The National Water and Soil Conservation Authority said existing water right procedure had not in itself resulted in unnecessary delay to proposals.

"Most delays," the authority said, "occur in three ways: the unpreparedness of applicants, the inability of the Planning Tribunal to schedule hearings and the use of legal rather than technical issues.

"The authority considers that these problems could have been resolved by specific changes to various existing statutes."

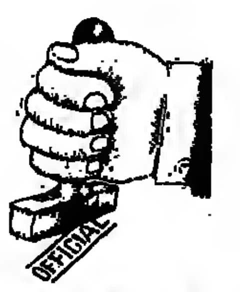
The Waikato Valley Authority said that applicants often came ill-prepared to initial hearings.

The Government's Huntly power station was cited as an example where time and informal discussion had greatly improved the original proposal.

It also cited a number of harmful unilaterally-imposed Government decisions on use of the river for Government works.

On the other hand, some who had bitter experience of delays at the hands of environmentalists — or even just rival developers masquerading as concerned citizens — backed the Government's diagnosis.

Among them: the Counties Association, which talked of some appeals which were "bordering on, if not actually, obstructionist"; the Auckland




GOVERNMENT ADMINISTRATION

City Council, which wanted projects of "regional importance" included (it had had trouble siting a new regional rubbish tip), and the Takapuna City Council, which wanted projects concerned with health and the essentials of life (e.g. sewage schemes) included.

But, even so, a number of submissions postulated, there is no need for the Bill before the middle of next year.

No applications have been shown to be waiting. And in any case, the Coalition for Open Government argued, it would take six months for an environmental impact report to be prepared.

Why not, therefore, hold the Bill over for cool, careful study during the parliamentary recess? That would give time to look at alternatives — the amendment of existing legislation for instance, as recommended by a considerable number of organisations (and the Government's own adviser in the Ministry of Works town and country planning division).

The answer was contained in a comment by former Treasury Secretary Henry Lang. It would take, he estimated, three years to prepare comprehensive amending legislation.

Nevertheless a number of organisations took the "recess study" view — among them Federated Farmers, which was generally in favour of the Bill.

"We believe," the federation said, "that a measure of such importance as the National Development Bill deserves a more thorough scrutiny and evaluation. This can only occur given adequate time."

Time, consultation, public participation — the same ingredients underlay many doubters' view of the passage of the Bill as [illegible] their view of fast planning [illegible] Bill provides for.

The Planning Co[illegible] having recalled its own urgings for improvement [illegible] planning procedures, [illegible] thus:

"On the other hand, [illegible] council) has also emphasised the necessity for thorough evaluation of projects, including penetrating [illegible] of them for their environmental and social impact.

"It has attached considerable importance to [illegible] openness in Government [illegible] the development of a [illegible] constructive partnership between central and local government in regional and national planning and to the participation of the public [illegible] planning decisions which [illegible] affect their lives.

"It is evident that, if people feel that they have had adequate opportunity for [illegible] evaluation, the opposition [illegible] the projects will [illegible] outside the established procedures."

Sonorous words, reflected in many submissions — including a number which argued for a Freedom of Information Act and/or built-in requirements in the Bill to make available full information on projects to the public.

This request went hand in hand with demands for lengthening of the time [illegible] to allow objectors time to assess the project and its implications and to bring [illegible] factors out.

In support objectors argued that fast-track procedures would have meant that [illegible] proposed Whangarei [illegible] plant would have been approved before the health factors that eventually killed it came to light and that both the Auckland thermal No 1 power station and a nuclear power station would have been [illegible].

Against this, Brill and [illegible] Government MPs argued [illegible] none were relevant to present situation. Although the thermal power station had been dropped after informal hearings by the Franklin County Council, the Government could have built it anyway if it wished, since it was then not bound by any planning procedures. Nuclear power was shelved before any firm proposals had been drawn [illegible].

In other words, [illegible] Government had responded to political realities just as it would inevitably do under the fast-track procedure.

Nevertheless, many submissions sought parliamentary involvement at some stage.

Some, such as the Planning Institution and the Takapuna City Council, wanted parliamentary approval in some form before a project starts off down the fast track.

Most others beating the parliamentary drum wanted legislation after the fast track had been traversed, instead of Government Order-in-Council either in all cases or where the Minister disagreed with the tribunal's recommendation.

Examples: the Catchment Authorities Association, the Hamilton City Council and the Historic Places Trust.

Some submissions wanted a place for local and/or regional authorities written into the legislation — either to hold [illegible] statutory hearings or to be specifically consulted by the Minister.

The organisations concerned with water rights wanted that matter dealt with by existing bodies.

The other main areas of comment were:

- The criteria on which the Government was to decide to send a project down the fast track were too wide. The words "major" and "national interest" should be defined. There should be a mandatory element of urgency.

The Law Society: "... there must be shown to exist a real need for promptness in obtaining the approvals and an unnecessary duplication or prolonged series of applications to various authorities, which could unreasonably delay the development contrary to the public interest."

- Referral to the fast track constituted a prejudgment by the Government that a project should get the final go-ahead regardless of the tribunal's recommendation.

So said, for example, the Law Society and Federated Farmers.

- The required contents of the environmental impact report and its audit should be spelt out, so that they were not skimped so by an over anxious developer or a Commissioner for the Environment under his Minister's directives.

Other reports, covering social and economic consequences and even technological implications, were requested by some submissions.

The Manufacturers Federation, for example, wanted the Industrial Development Commission to report on the economic consequences of a planned project for existing and future industry.

Doubtful that the tribunal would have the necessary expertise to assess such matters the manufacturers pointed out that a New Zealand plastics plant might have adverse effects on the efficiency of the local plastics products industry which now buys from cheapest world sources.

- There should be some means of stretching the procedure, if it was found impossible to operate through some unforseen circumstance. Some submissions argued that the tribunal should be able to reopen hearings to accommodate new evidence.
- Access to the tribunal needed to be assured to everybody with an interest.
- The range of matters the tribunial could deal with needed to be clearly spelt out. Several submissions doubted that the original wording ensured the tribunal would be able to take evidence on the economic and social desirability of projects.
- Variations of conditions by the Government should be the subject of rehearings by the tribunal. A number of submissions said that as worded, the Bill would allow the Government to circumscribe the procedure by making major changes after the initial order without the possibility of being challenged (other than by the developer).
- There should be no discrimination between big and small enterprises, since it is small and medium enterprises — still stuck with the slow track — which create the most jobs.

Former Secretary Treasurer Henry Lang was one who argued this case most forcibly — urging overall revision of planning legislation and a sunset clause on the National Development Bill to hurry that revision along.

"THE fast track is becoming a rocky road" — so said dissident National MP Mike Minogue as the legal problems began to emerge.

Evidence given to the land and agriculture select committee suggested that the Bill, as originally drafted, would prove a litigant's delight.

Nearly every submission presented to the committee complained about the attempt to prevent a review by the courts of the legality of the actions of the Government or the Planning Tribunal under the Bill.

Such reviews do not involve a rehearing of the decisions to judge whether they were right or wrong. They involve ensuring that the bodies concerned acted in accordance with the statute, taking into account all the factors they are required to under the statute and not being influenced by factors excluded by the statute; that is, they involve the resolution of points of law.

The principle is fundamental to British law. As Victoria University law lecturer Alex Frame told the committee, "the common law courts have fought hard to maintain the proposition that one of their jobs is to ensure that inferior tribunals of many kinds perform their work according to law."

Under cross-examination by Labour MP Geoffrey Palmer, Frame agreed that, no matter what language Parliament used to try to prevent recourse to the courts, it would be open to litigants to test the validity of the "ouster" clause in court.

And, because the courts are jealous of their role, Palmer established, it would be likely that such litigation would go all the way up to the Privy Council for a ruling.

Such a prospect would deter any would-be developer from starting off down the fast track.

Government members gratefully accepted a Law Society offer to suggest a way of "fast-tracking" the courts so that, if the "ouster" clauses were removed legal appeals would not hold up projects interminably.

Such delays under existing procedures were a principal reason for the National Development Bill being drafted.

Originally the Bill included a clause "fast-tracking" the courts — that is, requiring them to give precedence to national development projects.

But, on the advice of Solicitor-General Dick Savage, it was removed before the Bill was introduced.

The Bill's promoters felt that it was better to exclude "judicial review" — shorthand for appeals to the courts on administrative actions — and maybe soften the Bill in committee, then leave it in and try and harden it in committee by "fast-tracking".

But, even with judicial review agreed — in a dramatic moment across the table, almost by way of aside, between Barry Brill and David Lange during the Law Society evidence — other green fields were discovered for prospective litigants of a mind to wreck the system.

Palmer uncovered possible inconsistencies between the power granted the Minister of National Development under the Bill to issue a range of consents under the other Acts and those Acts themselves.

For example, he quoted sections of various Acts which barred certain activities, "notwithstanding any provision in any other enactment or rule of law".

Were those bans overriden by the National Development Bill or did they prevail over the Bill? Palmer asked.

Palmer tested with other witnesses the safety and health provisions in other Acts — such as the Health Act, the Clean Air Act, the Dangerous Goods Act and the Coal Mines Act. He established that in many cases there were ramifications in still other Acts which could create still other legal complications.

In the end research officer Chris McPhail was deputed the monumental task of drawing up a schedule of which 3500 sections in the overriden Acts were directly relevant to the Bill.

# Language and human rights


I WRITE as much in sorrow as in anger about your editorial on the Human Rights Commission Act (*NBR* November 12 1979).

You speak of the commission as being "instrumental in neutering the English language." That is nonsense. The commission has attempted to avoid that very thing.

The commission issued a lengthy statement on the subject in January, the meaning of which can be gauged from the headline given to it in Wellington's *Evening Post*: "Human rights law isn't debaser of our English."

I take the liberty of quoting the relevant passage:

"While the discriminatory wording of newspaper advertisements may not seem important in itself, it is unlawful because it is an impediment to full acceptance of equal opportunity irrespective of sex, marital status or religious or ethical belief and must be eliminated. A woman reading a job advertisement which refers to potential applicants as 'he' would tend to assume that only men would be considered, and the same would apply to men with advertisements which use the word 'she'.

"There has been much misunderstanding of the requirements of the Act on this question of job advertisements. There is no need to reconstruct the English language. It is quite rich enough and sufficiently flexible to meet the requirements of the Act. There are no terms of words that are outlawed. The Act merely requires that a job advertisement shall not be so worded that it could indicate, or could reasonably be understood as indicating an intention to commit a breach of the law. This means advertisements must not indicate that a job is available only to a man or only to a woman, unless it falls within certain very limited exceptions."

To describe this as a policy of neutering the language is absurd.

The rest of your editorial seems to be no more reasonable or well-informed. Much of the work of a body such as the Human Rights Commission set up to receive and investigate complaints from the public must necessarily be concerned with what appear to be minor problems – except to those involved. The anti-discrimination provisions of the legislation as passed by Parliament are specific and detailed.

Your attempted analogy between minor injustices here in New Zealand, and major injustices elsewhere, is misplaced. I wonder if you think that the police and the magistrates should not be concerned about such "trivia" as taking a newspaper from an honesty box, when the police should be devoting all their energies to solving murder cases.

Come, come Mr Edlin, you must know that such an argument makes no sense.

**P J Downey**
**Chief Human Rights Commissioner**

# Bribery allegation

I was interested to read your article on incentive marketing, NBR October 31.

When gifts or the offer of gifts are made to individual buyers as a means of inducing orders, particularly without reference to the chief executive of the company concerned, we have a much stronger word for the practice and that word is "bribery".

We have had an example where buyers have been written to and telephoned at their private addresses with a proposition for particular favours in response to large orders and there have been other cases of similar unethical practices.

Proponents of incentive marketing are inclined to forget that their job is not done until the consumer buys the product and comes back a second time. Over-stocking the trade does no one any good, and that is what incentive marketing is inclined to do.

While we believe we in co-operation with the NZ Grocery Manufacturers Association have stamped out the practice of manufacturers offering incentives to individual buyers for placing larger orders, we will not hesitate to act strongly if the problem recurs.

**M F Dawson**
**Secretary**
**NZ Wholesale Grocery Distribution Federation.**

# Children in politics?

I WRITE on behalf of my 11 and 13-year-old daughter who have been considerably distressed at your assertion (*NBR* October 31) that they were . . . "quite keen to chip in and deliver (socialist) pamphlets for their Labour-supporting aunt."

They were not.

On the contrary, they were coerced into this humiliation under threat of no dinner by the aforesaid aunt, (my sister and your cartoonist's wife) who as a leading "Wadestown socialist" exhibits all of the contradictions in her alleged political affiliations and inconsistent life-style in one of Wellington's swankier suburbs.

She is, of course, not alone; indeed her near neighbour is Sir Basil Arthur in whose letterbox my daughters had the good sense to dump all of the pamphlets.

**Bob Jones**
**Lower Hutt**

**(We put Mr Jones' claims to one of his daughters. She denies coercion. She says she volunteered her services for the pleasure of playing postman, not to declare her political views, which so far remain uncommitted. Dinner was never in question. In fact it was such a good one that she can still describe it with relish.**

**Politicians — apart from one to whom she claims she feels a strong aversion — are of little interest to her, she says. And Sir Basil Arthur and his letterbox are unknown to her. (Perhaps because Sir Basil is not a near neighbour, but shares a flat with a Labour colleague at least a mile away in Grant Road. — Editor).**







National Business Review Special Feature By Frank Thorpy

# WINEMANSHIP

## Prize winners secure wine industry future

THE wine industry is heading in the right direction — but suffering some growing pains.

No one who tasted the prize-winning wines at the official dinner of the Wine Institute last month would doubt that. If these wines are available to all, then there would be no fears about the industry's future.

Prize-winners in competitions around the world are seldom available to all. But our prize-winners, in the white: the Riesling-Sylvaners, the Traminers, the Chardonnays, the Sherries, not wines of great complexity and subtlety, are wines which New Zealand has the potential to make in quantity.

In the reds: the Cabernet-Sauvignons, though lighter in nature than, say Australian reds, are already developing character and finesse. In time they will equal such wines in any part of the world, and it is to the leading red variety planted.

But we seem to have the right clones of Cabernet-Sauvignon, for the wine made here reflects in some measure the qualities which have won it recognition, not only in its home in Bordeaux, but also in winegrowing countries as the world's best red wine.

In Bordeaux, the Cabernet-Sauvignon is regarded as too tannic in flavour to use on its own, and is blended with other Cabernet Franc, Merlot and Malbec.

The famous Chateau Lafite consists of four-sixths of Cabernet-Sauvignon for the tannin, staying power and colour, one-sixth Cabernet Franc for its sugar content, and one-sixth Merlot for finesse and fragrance.

Such has been the haste to plant Cabernet-Sauvignon in New Zealand, that little or no thought has been given to growing the other grapes necessary to blend in to make a wine of much more character and finesse. Yet such information has been available in handbooks on viticulture.

The result is that Cabernet-Sauvignon wines made here are either 100 per cent grapes or mixed with either hybrid red grapes or Pinotage, depending on the individual grower's surplus position, and with predictable results.

One Havelock North wine grower has planted a two-hectare plot in proportions similar to the Chateau Lafite blend. It will be interesting to see how the experiment turns out in a few years.

New Zealand makes some good Cabernet-Sauvignon wines which would not be disgraced in any company. But no one seems interested in making good red wine from either Cabernet Franc, Merlot or Malbec, or combinations of such wines.

All these grapes were praised by Romeo Bragato, the first Government Viticulturist, as suitable for New Zealand conditions, while S F Anderson, who succeeded Bragato, wrote in 1917 that such grapes have been well tried for winemaking.

Pinot Noir, the grape which produces the great Burgundies, has been disappointing, producing a wine very light red in colour and without much body.

As we have in parts, particularly in Hawke's Bay and Marlborough, a climate similar to Burgundy, we should pause before we discard it.

And that brings us to the question of clones. To the layman, clonal selection means that some vines of the same family produce better than their brothers or sisters.

If these better vines or clones are cultivated and the more inefficient eliminated, better grapes appear and better wine results.

The Wine Institute, wisely, has invited at varying times, two of the world's most distinguished viticulturists here to appraise our vines.

Both are specialists in white wine vine culture: Professor Becker, of Geisenheim Research Station, on the Rheingau in Germany, and Professor Olmo, of Davis University of California.

Both men have intimated discreetly that our cepage, as it is called, would be improved by clonal selection. It is thought that we can make a wine of much better character from our Chardonnay and Traminer varieties.

And some Germans say our Riesling-Sylvanner, though an acceptable quaffing wine, could be improved by better selection of the vines. If this happens, we could achieve a full luscious flavour from the fermented grape itself rather than by the current popular practice of backblending — that is, adding unfermented grape juice.

For many years it was thought the Traminer grape could not be grown successfully here because the one Hawke's Bay grower that existed then was unable to make a reasonable wine from the poor stock he had to work from.

Our Pinot Noir strains are simply not good enough to produce an acceptable wine.

Some winemakers point to the poor results achieved in both Australia and California, but neither country has the right climatic conditions for this grape as we have in parts of Hawke's Bay and Marlborough.

It is the grape that grows on the northern-most limits of the Northern Hemisphere, a cool weather grape which produces not only the great burgundies, but also some of the great champagnes.

How do the grape-owners get the better clones?

Both Professor Becker and Professor Olmo say that they would be happy to send better clones that are specially selected, and other world viticulturists have offered to do this in the past.

The barrier to this has been the quarantine regulations imposed by the Ministry of Agriculture and Fisheries.

No one wants to see fresh diseases imported, but viticulturist institutes around the world are aware of this and are as well trained as our scientists in these matters.

The procedure for obtaining new cuttings is roughly as follows.

A grape-grower desiring new cuttings must apply through the Ministry of Agriculture and Fisheries to a special viticultural committee, VRAC. If approval is given, the imported cuttings are planted under the auspices of the DSIR Plant Research Division at either Mount Albert, or lately Levin under the auspices of the Fruitgrowers Federation which has virus indexing facilities.

The cuttings must be quarantined for at least two growing seasons.

During that period, they are carefully scrutinised for various plant diseases, are declared free of disease, and released at the end to the grower. The cuttings then require three, or perhaps four years growing period before fruit can be harvested. Therefore it requires a minimum of six years before the grape grower knows whether his precious imported cuttings are any good.

When Professor Olmo was asked about our quarantine regulations, he said his department would never had made the progress it had with clonal selections had it been subject to the same rules.

Continued on page 28

# Vineyard list for the 80s

IT is impossible to ignore Montana as the first and best name to watch for better wines nationally distributed in the 1980s.

The biggest wine company in New Zealand, with Seagrams of Canada and the United States as a large shareholder, it firmly established its position as our premier wine company, with its large-scale plantings in Marlborough.

These plantings are starting to come into fruition, and though good wine does not usually come from young vines, Montana this year was the leading prize winner at the National Wine Competition, (three gold, 14 silver, 18 bronze), with wines that are almost available nationally.

Not all their wines came from Marlborough, but clearly Montana — helped with Seagrams expertise and with a fine winemaker in Peter Hubescher — will be in the van of winemaking for some years to come.

Another large company to watch will be Penfolds, headed by the dynamic Frank Yukich, who contribuited so materially to Montana's success.

He took over an ailing company about two years ago. Since then progress has been amazing, not perhaps as yet in the wines as in the general appearance and potential of the company.

The premises at Lincoln Road, Henderson, have been revitalised a new winery effectively installed, a wine restaurant licence obtained, and the whole area fronting the road landscaped in a pleasing manner, which adds materially to the winemaker's image in Henderson.

Should some of the larger winemakers, such as Corbans, follow his example, we may yet emulate Vienna with its cluster of vineyards serving wine and food near to the city.

Penfolds has assembled a good winemaking team, some who previously worked with Yukich at Montana, properties have been acquired or leased in Gisborne and Marlborough, good vinifera varieties planted and hybrids uprooted.

The wine made so far is young, but there is potential in lines such as the 1979 Cabernet-Sauvignon, and some private bin Chardonnay and Traminer.

Frank Yukich has a reputation in the industry for always doing what he says he will do. And he says his ambition is not to become the largest winemaker in New Zealand but the best, emulating the style of some of the wines made by Penfolds of Australia.

Though that company has only 10 per cent shareholding, it makes its expertise available to the company here.

Nick Nobilo, of Nobilos Vineyards, Kumeu, is a conscientious winemaker who constantly wins prizes. His 1976 Cabernet-Sauvignon (Commercial B) won the Tourist Hotel Corporation's prize for the wine irrespective of class obtaining the highest points in the 1979 Wine Competition, and his 1977 Chardonnay won a high silver.

The 1979 Muller-Thurgau, widely distributed, is one of the better Riesling-Sylvaners available. He is determined to make good wine from Pinot Noir.

Nobilos claims that its vineyard at Kumeu enjoys a special micro-climate and gets more sunshine and less rainfall that other vineyards in the Henderson area.

Babichs, in the Henderson area, also claim it has a special micro-climate. It is a long established vineyard, now under the management of the two sons of the founder.

Silver medals were won in 1979 for its Cabernet Sauvignon 1977 and 1978, both too young to drink but well worth cellaring. The vines were specially selected from DSIR stock, and certified virus-free.

Joe Babich, the winemaker, is convinced that both Traminer and Chardonnay do well in this vineyard, and he is making some interesting wines available only at the winery.

Collards, in Lincoln Road, Henderson, is a comparatively small, father and two sons, vineyard which consistently wins prizes.

Bruce Collard spent two years working in German vineyards, and the firm is now turning out good wines in the Traminer, Rhine Riesling and Riesling-Sylvaner classes. It does not intend to get too big, and with its obvious desire to be known as top boutique winemakers, more interesting wines will eventuate in the 1980s.

In Kumeu also, there is a small part-time winemaker, Abels, who is determined in time to make good Pinot Noir wine.

In Gisborne, Denis Irw... Matawhero, a compa... newcomer to wine is ma... good white wines, avai... only at the winery or by p... He specialises in Tram... and won three silver me... for Matawhero Gew... traminer 1979, for i... Traminer-Riesling, and ... 1979 Riverpoint Riesling, available in Commercial quantities.

More names could b... mentioned — the Villa M... ria-Vidal combination, f... instance, and perhaps the ... surrected Te Mata winer... Havelock North, where J... Buck, now the chief w... judge, is bent on producin... time a claret blended on ... Bordeaux lines, but should ... interested wine lover f... the progress of the w... makers mentioned abo... and back his judgement ... buying and maturing some ... the wines himself, he will ... time have a first-class cella... the better New Zealand w...

# Growers extend vineyards

THE Wine Institute has assessed its land requirements by the mid-1980s as around 7000 hectares, which is about 4000 hectares more than at present.

It says that consumption of wine a head should rise from the present figure of about 10.8 litres to 15.8 litres in 1986. The Australian rate in 1978/79 was about 16 litres a head, so this projection may not be too far out.

The contract grapegrowers, who now contribute about 50 per cent of the total grape crop, say that such an increase could force down prices and lead to uneconomic returns, or at worst, a glut.

The Wine Institute says that the price its members are paying for grapes is too high.

Looking at prices paid for wine grapes in Australia and California, New Zealand contract wine growers are doing well.

The average price for wine grapes in California for the 1978 season averaged $210/245 a ton.

In the South Australian districts, prices paid in 1979 averaged around $187 a ton, while in Gisborne, for the 79 vintage, the average was $358 a tonne.

The Ministry of Agriculture and Fisheries, reporting on the subject of grape prices, says that the so called "advantage" taken by the contract growers of the present supply and demand situation "reflects the limited availability and the increased demand for grapes for winemaking".

The contract growers may have to accept a slightly lower price in time, but they should have no fears of a glut.

The increased plantings would have lower yields from better quality grapes, and in any case, this will mean more grape juice going into the wine.

Reflecting the healthy state of the industry, all the main growers are busy extending their planting areas, either by buying new blocks or entering into arrangements with farmers who like the cash return they see arising from grapes.

Penfolds has an arrangement with a Maori Trust in the Gisborne area to plant what eventually will be a 100-hectare block under contract.

This same firm, now headed by Frank Yukich, former managing-director of Montana, realising the advantages of the Marlborough district this year have also planted 50 hectares there, and have a further 100 hectares project.

It is rumoured that another well-known company, not necessarily connected with the wine industry, has just completed a 1000-acre purchase there, and will be planting grapes and kiwifruit.

The advantages of Marlborough, first pioneered by Montana, may be briefly summarised as long hours of sunshine during the ripening period, and low rainfall during the harvesting period.

It is the unusually high rainfall at vintage time which makes the Henderson Valley uncertain as a good wine producing area, and new plantings today are in the Gisborne, Hawke's Bay and Marlborough districts.

Gisborne, too, has its fair share of rain at vintage time, and growth there tends to be lush, which does not necessarily mean the best quality wine.

Cooks have extended into Hawke's Bay, McWilliams has a new 50-hectare block there, Corbans has a successful partnership with farmers in the Tolaga Bay area, so all in all, if the present rate is maintained a figure of 7000 hectares should be reached by the mid-80s.

If this results not in a glut, but in more competition, wine consumers will reap the benefit.

In the Canterbury district, at least 20 hectares of grapes have been planted recently.

Stimulated by Professor Jackson, of the Horticulture Department at Lincoln College, a group of enthusiasts are determined to prove that good wine can be made in certain micro-climates in Canterbury, particularly in North Canterbury.

Some good experimental wine has already been made at Lincoln under the auspices of Danny Schuster, a German-born and trained winemaker who first worked for Montana.

Winegrowing has a future in Canterbury, perhaps not on a large commercial scale, but there are many landowners who would find some interest and perhaps some reward in planting vines, particularly as expert advice is available from Lincoln College.

# Wine inquiry charts decade of production.

THE Industries Development Commission public inquiry on the wine industry was "an exercise in futility," according to one witness.

But it is far more than that. The inquiry will chart the course of the wine industry for the next 10 years, if the Government acts on the commission's report.

The industry is asking for all kinds of inducements, including cash subsidies or grants for expansion of vineyard areas, tax deductions, tax incentives for new uses for grapes, special depreciation allowances for winery buildings, and a change in the sales tax law.

It also wants increased tariff protection, which would effectively exclude by reason of artificially added cost, medium priced Australian wines and many popular German, French, Italian and Spanish wines, a plea for Te Kauwhata Research Station to be kept in being and finally, exclusion of wine, grape or grape juice in any form being included under Schedule A of Nafta.

In return it promises a saving of foreign exchange by "import substitution" and an increase in wine exports to $5 million a year by 1986.

The Trade and Industry Department and the Customs Department presented only oral submissions — at least at the public hearing.

But officialdom's attitude may be summed up by the conclusion in the Ministry of Agriculture and Fisheries report: "If the grape industry is to receive further assistance, then a better case must be presented. For the points discussed above, the report does not do this and further evidence would be required".

Lawyers are to be expected at such hearings, and there were plenty of them at the wine hearing.

But a new breed of adviser has arisen — the professional independent tariff consultant, who theoretically has all the possible permutations of the tariff at his finger tips, but at the hearing did not necessarily know the practical result.

The New Zealand Wine and Spirit Wholesalers consultant admitted under evidence that some of his evidence perhaps was a philosophical dissertation.

He was unable to answer what would be the price to the consumer if some of his submissions were adopted.

In any case, he said he would not be drinking any of the imported wine increased in price by such submissions.

But the wholesalers did state that if their submissions favouring higher threshold prices and freedom from import licensing were not adopted, then they would prefer the *status quo*.

The Wine Institute seemed dismayed that "its" inquiry had been invaded by other members of the winemaking fraternity, such as grape growers, fruit wine makers, wine resellers, wholesale wine distributors and some suburban licensing trusts, all with an axe to grind.

One bureaucratic control breeds another, and it was fascinating to hear of the differences between some suburban licensing trusts, created by Act of Parliament, and the wine resellers, created by another Act of Parliament.

New Zealand Wine Resellers maintained that, though their licenses had been created to distribute the local product and thus help the New Zealand winemakers, the wine and spirit wholesalers coming late to the party, had seen the opportunity and were now distributing the bulk of New Zealand wines.

According to the institute, the wine resellers now sold only 22 per cent of the total wine, while wholesalers handled 73 per cent and direct sales to the public by winemakers represented 5 per cent.

# Cabernet Sauvignons aid red wine's rise in national competitions

THE 1979 National Wine Competitions were remarkable for the emergence, at last, of more than one red table wine in the high scoring areas, and for the awarding of 11 gold medals — more than double last year's total.

The 11 gold and 74 silver give a fair indication of the remarkable improvement in some of our wines.

But the public has a faint chance of getting supplies of only one, of the gold medal wines, McWilliams Cabernet Sauvignon 1976, which is listed (A), that is, in substantial production and distributed nationwide.

For the past 14 years, though widely acclaimed as New Zealand's best red table wine, it has been in short supply and on allocation.

Two other Cabernet Sauvignons won gold medals, Corbans 1976 and Nobilos 1976, both available only in Commercial B quantities, which could mean available only at the winery and from certain distributors.

Corbans, Cooks, Montana and Babich won silver medals for Cabernets of mostly later vintages, but it all presages that in time a decent red wine should be available in New Zealand to all.

A word of warning: even the 1976 gold medal winners will improve with a few years cellaring, (a minimum of at least another three) so the discerning buyer should put some down for future use.

By 1985,. there should be sufficient matured Cabernet Sauvignon available to meet most needs — 20 years after McWilliams produced its widely acclaimed 1965 Cabernet Sauvignon.

The other red vinifera offered, Pinot Noir, was described as disappointing, though it did win silver medals for Nobilos, Babich and Montana.

Pinotage, too, was eclipsed. Nobilos, a longtime stalwart for the South African vine, and Abels, secured the only silver medals.

Pinotage, planted here for its prolific qualities, is on the way out as a New Zealand quality red. No other country except New Zealand and South Africa plants it in quantity. It was propagated in South Africa for a climate much warmer than ours.

The stars of the competition were the fashionable white Traminers, scoring three gold medals — Montana Marlborough 79, and Villa Maria's 78 and 79 vintage.

Montana's is classed (B) and therefore should be available at some outlets. Villa Maria (E) is available only at the winery.

Cooks and Matawhero, both 79s, won silver medals, the Cooks (B) should be available again at some outlets, and Matawhero (B) sells all its wines by post from the winery in Gisborne.

The Riesling Sylvaner class (more correctly termed Muller Thurgau by Professor Olmo of Davis California, one of the judges), was divided into dry and sweeter.

In the dry class, two unexpected gold medals went to Delegats (B) class and Totara SYC (E) both 79s available only at the winery.

Silver medals were awarded to Montana Private Bin Marlborough 1979, Montana Riesling and Babich, all marked (B) class, while Cooks Private Bin Fernhill Riesling was (E) class only.

Illustrating the vagaries of judging — after all, it can never be an exact science — Cooks Te Kauwhata Riesling 78, which won a gold medal in Paris this year, achieved only a bronze here.

In the sweet Riesling call, Montana Rhine Riesling 79(B) class got the only gold, while silver medals were won by Collards, Delegats, Montana Marlborough, Cooks, Montana Berkaizler, all (B) class.

In the Chardonnay class, really the only vinifera dry white wine made in New Zealand, there was an upsurge of interest. No golds were awarded, but silver medals were won by Corbans, Vidals, Villa Maria, all 79 vintage, while McWilliams 78, Nobilo 77 and Montana 78 all secured the same, and all are available in (B) class quantities.

The Chenin Blancs failed to live up to their propaganda, Corbans 1977 (E) class winning the only silver medal.

No high awards were made in the Rose class, but at least they were not all lollywater, and several drinkable dry Roses managed to get bronze awards.

In the Sparkling Wine class, no top awards were made in medium to dry, but the sweeter class, Penfolds Chardon (A), Montana Mont Royale (A), and Babich Chateau Ananda (B) all won silvers.

In the Dry Sherry style, Montana Pal[e] Sherry (B) won a gold, Penfolds Flor (A) Fino Dry (E) Sherry as [...] Montana Flor Fino (...) silvers.

In the sweeter classes, Mazurans, Ri[...] Glenburn, Corbans, [...]rama, Soljans won silve[r]

No golds were awa[rded in] the port class, but [...] Balic, Mazuran, P[...] Peters, McWilliams an[d ...]sovich all gained silver[s].

The Tourist Hotel [...]ration trophy for th[e] securing the most [...] irrespective of class, w[as won] by Nobilos Cabernet [Sauvig]non 1976. It also w[on] other trophies — for be[ing the] best red wine in the c[ompeti]tion, and for being avai[lable in] commercial qua[ntities] though B class, not A.

Montana pale dry [...] (B) won the prize for th[e] points in the fortified c[lass].

The prize for th[e] quantity production ta[ble wine] went to McWilliams Ca[bernet] Sauvignon 1976 (A) cl[ass]. Montana won the same [...] for Montana Rhine Ri[esling] 79, though here again [availa]ble in (B) class only.

The best port was [...] Penfolds Director Port.

If you could get th[e] award winners, you wo[uld be] proud of your New Z[ealand] wines. Let's hope the [day is] coming when they w[ill be] available to all in (A) [com]mercial quantities.

WINES classed (A) [...] [min]imum 22,750 litres s[hould] be available nationwid[e].
WINES classed (B) [...] [min]imum 4500 litres have [...] national distrib[ution] though not available [...] outlets.
WINES classed (E) [...] [min]imum 2275 litres [...] available at the winery [...] sometimes at a [few] favoured outlets.



Continued from page 25

# Poised for better vin[es]

He said the way they circumvented the quarantine was to induce the appropriate Government department to allow a 12 hectare patch at the Davis University to be declared a quarantine zone. All cuttings imported by the university were planted and propagated in that area.

Scientists interested in better clonal selection were able to work and observe experiments whilst sticking to quarantine regulations. This speeded up the work immeasurably.

The same could be done here.

Some Government officials said they have offered similar facilities to selected winegrowers but such was the mad scramble for grapes, any kind of grapes, at that time that no one was interested.

Perhaps a disinterested body such as Lincoln College, which is already carrying out experiments in grape growing, would be most suitable.

Professor Becker, demonstrated in an audio-visual in Auckland, the meticulous methods used in Ger[many to] propagate cuttings, [the re]sults of over 50 year[s of expe]rimentation.

He offered to send c[...] virus-free cuttings to [New] Zealand, but apparent[ly a] certificate of this [...] famous authority is no[t] enough for the depar[tment] here.

There is undoubte[dly a] more responsible a[ttitude] today, and growers are [willing] to experiment. We ca[n] hope we get the better [...] of vines which our so[il and] climate warrants as quic[kly as] possible.

So, with a more reaso[nable] attitude being adopted [by the] industry to such additi[ves as] sugar and water, better [...] of grapes being planted [in] the right climatic areas [for] example Hawke's Bay [and] Marlborough, plus a [...]ciousness by the industr[y that] it needs to produce [...] wines to keep faith wi[th the] consumer, it can be fairl[y said] the industry is on the [...] path and poised for b[etter] things — better wine for [...] in the approaching dec[ade].